HUSKY ENERGY

THIRD QUARTER 2012

CONFERENCE CALL TRANSCRIPT

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Speakers:

Asim Ghosh
President & Chief Executive Officer

Alister Cowan
Chief Financial Officer

Robert Peabody
Chief Operating Officer

Rob McInnis
Manager, Investor Relations

OPERATOR:

At this time, I would like to turn the conference over to Rob McInnis, Manager, Investor Relations. Please go ahead.

ROB MCINNIS:

Thank you. Good morning, everyone, and thank you for joining us to discuss our 2012 Third Quarter results. I'm joined today by CEO Asim Ghosh; our CFO, Alister Cowan; our COO, Rob Peabody; and our Senior Vice President of Downstream, Bob Baird.

Today, we will provide an update on Husky's business strategy and an overview of results, followed by a question-and-answer session. Please note that today's comments contain forward-looking information. Actual results may differ materially from expected results because of various risk factors and assumptions that are described in our quarterly release and in our annual filings, which are available on SEDAR, EDGAR, and our website. I'll now turn the call over to Asim.

ASIM GHOSH:

Thanks, Rob, and good morning, everybody. I'll give the third quarter highlights in a moment, but first, I'd just like to take -- start off reflecting on our overall performance to date. And I think, in summary, our results show that we continue to build operational momentum. Through the first nine months of this year, and really since we laid out a strategic plan two years ago, we have delivered on our targets consistently, and we have done this through consistent execution of our business strategy, strong operational performance from all the segments of our business, and within that, more specifically, greater emphasis on heavy oil, thermal and resource plays in our foundation that have contributed to a more oily portfolio and also our focus on project delivery and key milestones and growth pillars.

A final thought on this is our focused integration strategy, what I've called our focused integration strategy in the past, has helped us to capture more value by offsetting pricing volatility. Overall, we remain on course in executing our business plan and continue to make steady progress in setting the stage for our major growth projects.

Let me get into some of the operational highlights now for the third quarter. So let me begin with heavy oil. Heavy oil, as you'll recollect, is a part of our pedigree in Western Canada, and we've demonstrated our leadership in this resource area time and again over the years. As I've mentioned to you before, we are transitioning this part of our foundation to more thermal production and horizontal drilling to extract greater value. No pun intended there.

The Pikes Peak South and Paradise Hill thermal projects have both reached their design production rates within two months of first oil, and based on their cost efficiency and performance, they will be models for our future heavy oil thermal project developments, and my colleague, Rob Peabody, will speak to more of the specifics of these two projects a bit later this morning. We expect to accelerate more of these long-life projects in the future using this modular approach for cost efficiency. Currently, for example, construction of the Sandall thermal project is progressing with first production scheduled for 2014. And, in summary, again, heavy oil, as you know, is one of the building blocks of our foundation, and thermal projects are breathing new life into the future of this foundation.

I'll now turn to Western Canada. We continue to develop and evaluate our oil resource play portfolio. Getting good results at Bakken, Cardium, and Viking developments and we're advancing the evaluation, early stages yet, relative to the others at Rainbow and our Northwest Territory plays, and in the Investor Day coming up in the beginning of December, we will give you an update on these and our liquids-rich gas play portfolio.

I'll now to turn to the Atlantic region. We already sent a press release out on this, but the SeaRose is back online, well ahead of schedule after the execution of a safe and successful turnaround. The maintenance program in Belfast went off without a hitch, and it really just didn't happen; it reflected very strong planning and execution. We reconnected and became operational more than three weeks ahead of schedule. Production was ramped back up to steady-state levels by the end of the quarter, also ahead of schedule, but of course, we didn't see the benefit of that throughout the quarter, so keep that in mind as you look at our overall production levels and our oil/gas mix. And we're continuing to moving forward on evaluating potential development concepts for the satellite extension program in the White Rose region.

And, finally, Rob will bring you up to date on our plans for an exploration program in the Atlantic.

In the Asia Pacific region, our Liwan Gashas made great progress over the past quarter. Overall, the project is now about three-quarters complete as we draw closer to first gas in the 2013/2014 timeframe, which is the timeframe we'd indicated to you earlier. The shallow water jacket has been launched and installed on the ocean floor in the South China Sea, and that is the foundation for the central platform from which we'll work with CNOOC, our partner, to develop the Liwan Field. Construction of the top-size component remains on track. We expect it to be floated over to the jacket in the second quarter of next year. And more than half of the two -- it's about almost 80 kilometer long, deepwater pipelines have been laid already from the gas field to the central platform area.

And, finally, within Asia, in Indonesia, we continue our exploration drillings in the Madura Strait Block and evaluating initial results from new discoveries. This is one more thing that we should have more information to share with you by Investor Day in early December.

So, in summary, on Asia, Liwan is progressing well and we are advancing our developments in Indonesia to hit our target of 50,000 barrels-a-day-equivalent from the Asia Pacific in 2015 and looking in good shape for that.

I finally turn to the Sunrise Energy project within the Upstream area. It remains on track. We're getting ready to deliver production in 2014, and overall, the project is about 50% complete at the end of the quarter. The biggest single building block you'll recollect of this is the central processing facility, and in this sub-leg of the project, the modules are being delivered regularly to the site along with major equipment. We'd already given you an update on the fact that the drilling was complete. The field facilities are well advanced. So, overall, this project looks to be in good shape, as well.

I now turn from Upstream to Downstream. Our Downstream operations continue to deliver on both performance and reliability. In the quarter, they continued to allow us to effectively capture additional margin to get it near Brent pricing for most of our liquids products from Upstream, and that underpins the value of what I call a focused integration strategy in the choppy markets that we have seen.

So, in summary, overall, we are positioned about where we want to be at the end of this quarter and are executing on our key performance targets. The transformation of the Western Canada foundation is well underway with a strong focus in oil production, and our major projects are making substantial progress.

On that note, let me turn you over to Alister.

ALISTER COWAN:

Thanks, Asim. As Asim has just mentioned, consistent operational excellence that was demonstrated in the quarter and the strong balance sheet that we have provides us with lots of flexibility to capitalize on the opportunities that extract most value from the large resource portfolio that we've outlined to you before.

We did begin the year with some clear expectations around what we would achieve or/and improved production, reliability, earnings, and cash flow, and we've been delivering on all four, even though -- and taking into account the two planned FPSO off-stations. The net earnings for the quarter were $526 million, or $0.53 diluted per share, compared to $521 million, or $0.53 diluted per share a year earlier. And cash flow from operations remains strong at $1.27 billion or $1.29 per share, as compared to $1.3 billion, or $1.39 per share a year ago.

If you look at our production, we have now reached 285,000 barrels of oil equivalent per day in the quarter and that was up from the 282,000 barrels of oil equivalent per day in the second quarter. Now, these production totals, as Asim has mentioned, reflect the new heavy oil thermal projects, the recently completed SeaRose FPSO maintenance, as well as the ongoing Terra Nova off-station. Now, you'll have noted that natural gas production is lower, and that's due to a deliberate reallocation of capital away from gas or dry gas to oil developments during the year as gas prices remained low.

In Downstream, we continue to benefit from the strong operational performance and throughput. The upgrader contributed $68 million to net earnings in the third quarter, and that was compared to $42 million last quarter and $78 million a year ago. In the U.S., the refining operations added $195 million to net earnings compared to $84 million in the second quarter and $82 million last year.

Now, as we disclosed in the MD&A there was a FIFO after-tax gain of approximately $34 million in the quarter, and year-to-date, there's a FIFO after-tax loss of approximately $6 million. Looking at pricing, the details are all in the MD&A and on the website, but here's a few points. Our realized outreach price for the Company's production as a whole was $52.52 per BOE in the quarter, and that was lower than last year's $60.80 per BOE but certainly comparable to the $51.88 we achieved in the second quarter of 2012. On the crude oil pricing, the average realized price was $70.14 per barrel, down from $78.70 per barrel a year ago and $71.61 per barrel in the second quarter. Again, this reflects the impact of the

Atlantic region off-stations, which is high-priced Brent crude, slightly higher commodity prices, and higher product and Western Canada discounts.

There's not much new, unfortunately, to report on the natural gas front, although we have seen a slight uptick lately. The third quarter saw prices of $2.48 per Mcf compared to $4.12 per Mcf in the same quarter a year ago and $2.05 per Mcf in the second quarter of this year.

Now, as you all know, commodity prices have been quite volatile over the last couple of weeks with WTI at around $86 U.S. per barrel and Brent at $108 U.S. per barrel yesterday. Now, these will have impacts on realized price for Q4 production, and in addition, if these prices are sustained, we'd expect to see a FIFO loss on our 60 million barrels of oil inventory for processing through the upgrader and the refineries. Now, over time FIFO gains and losses do tend to even out, but certainly FIFO accounting does give some volatility to the quarterly results.

U.S. Mid-Continent crack spreads were certainly choppy in October and do reflect the usual seasonal downward trend that we always see in Q4.

Our balance sheet and diametric remains strong along and that with operational performance, as I mentioned earlier, makes us confident we have the capacity and ability to deliver on all of our current commitments with financial flexibility to pursue further opportunities as they emerge.

And, finally, the Board of Directors has approved a quarterly dividend of $0.30 per share.

We'll pass you over to Rob, who's going to give you an update on the operations.

ROB PEABODY:

Thanks, Alister. As both Asim and Alister have mentioned, the SeaRose off-station program was concluded safely, successfully, and under budget, and we had the added bonus of returning to production more than three weeks ahead of schedule. We ramped quickly back up to approximately 40,000 barrels per day net production. The work we did in managing the White Rose reservoir, including drilling an in-fill production well, has paid dividends in allowing a rapid return to pre-shutdown production rates.

Looking at our operations during the quarter and starting in Western Canada, overall, we continued to shift the focus to more oil drilling. Over 95% of the wells we drilled in the quarter targeted oil. We were active across our portfolio of resource plays. These include six key oil plays; the Bakken, the Viking, Cardium, Lower Shaunavon, Rainbow Muskwa, as well as the Slater River play in the Northwest Territories. In total, we drilled 32 horizontal oil resource wells over the third quarter, bringing our total number to 66 over the first nine months of the year. This includes a horizontal well at our Rainbow Muskwa shale oil project in Northwest Alberta. It's still early, but we have plans to drill up to six more wells this year to better understand the sweet spots of this play.

And in the Northwest Territories at our Slater River project, the work there is proceeding on schedule. Pending further regulatory approvals over the next few weeks, we're planning to build an all-season access road this winter and further evaluate the two vertical wells we drilled there last year.

Looking ahead, we're expecting to drill another 31 wells across our oil resource play portfolio over the remainder of the year. This reflects our commitment to develop and de-risk our extensive resource play portfolio as we transform the foundations of Western Canada.

In our gas resource plays, we're continuing to pursue liquids-rich gas opportunities, but given the current gas price environment, as Alister alluded to, we have further focused our efforts on high-grading our capital spending. Current activity is restricted to plays that generate competitive returns at today's gas prices or where we believe this potential exists as we drive down costs.

At Ansell in West Central Alberta, we resumed drilling over the quarter, after a long spring breakup. We drilled a total of 14 wells on this play over the first nine months of 2012 while completing another 38 net wells. Up to four more wells are planned at Ansell for the remainder of the year. We still consider Ansell as a core asset, and it certainly has lots of potential. However, with the current price environment, we have been shifting some of the capital into our oil plays.

In the Duvernay, we completed and tested our second horizontal well at Kaybob. We currently have one well producing in this play. Overall, we remain on track to meet our goal that we set out in 2010 of having one-third of our production from Western Canada coming from resource plays in 2016.

Our heavy oil business achieved some major strategic milestones in the quarter with both Pikes Peak South and Paradise Hill reaching full production capacity. As Asim mentioned, we're making great progress on repositioning our heavy oil foundation to focus more on thermal projects. This has certainly been a high-performance area of our business. Our next two thermal projects are the 3,500 barrel-per-day Sandall thermal development, which is currently under construction, and the 8,000 barrel-per-day Rush Lake project. We're also advancing reservoir evaluations on additional commercial heavy oil thermal projects. The capital intensity of these thermal projects is very attractive. Their modular design and small scale means we've been able to reduce the cost per barrel to develop.

In heavy oil, we also drilled 49 horizontal wells in the third quarter. In total, 99 horizontal wells have been drilled to date out of 100 -- around 140 to 150-well-program we have planned for this year.

While we're focusing a greater amount of our energy on thermal projects and horizontal wells, our legacy approach using cold heavy oil production with sand is continuing to provide value. We're on track to drill approximately 265 of these wells this year in areas where they provide the best economics, and we're also progressing a number of solvent EOR projects.

Turning to the growth pillars in the Asia Pacific region, the Liwan Gas Project has really hit its full stride as we approach first production in the late 2013/early 2014 timeframe. We've realized some significant milestones with our partners over the past few months. Asim mentioned earlier the jacket for the central platform, which is at the heart of the Liwan Gas Project, has been anchored to the seabed. We're finishing up construction on the top sides of the platform, which is due to the floated out and installed on top of the jacket this spring -- or next year in the spring. All the wells at Liwan have been drilled, and we have confirmed the deliverability of the gas.

Looking at Indonesia, we're anticipating first gas from the Madura Straits block in the 2015 timeframe. We have an approved development plan and gas sales agreement in place for the BD field, and we're advancing the development of the combined MDA/MBH fields towards production. We're continuing exploration work on a five-well program in the Madura Straits block, with additional new discoveries now under evaluation.

In the oil sands, the Sunrise Energy Project is continuing to advance as planned and is about 50% complete.

In the Atlantic region, we continue to progress engineering work on the White Rose extension projects. We've excavated a new subsea drill center for the South White Rose extension over the past quarter and continue further development drilling at the North Amethyst satellite field.

Let me just update you on our exploration program. Our Searcher prospect has been spudded in the Southern Jeanne d'Arc Basin, and we're also participating in the Harpoon exploration well near the Mizzen discovery in the Flemish Pass, which should spud by the end of the year. And you'll recall we hold a 35% interest in this well with our partner.

Turning to the Downstream, at our refineries at Lima and Toledo, we're nearing completion of two projects which will further increase product flexibility and reduce costs. At Lima, a new kerosene hydro-treater will give us enhanced ability to swing product production from gasoline over to diesel and jet fuel and vice versa depending on market conditions. At Toledo, a new continuous catalytic reformer unit will replace three older units and enable us to address new environmental regulations while significantly reducing energy consumption and operating costs. We had another good quarter of operations across the Downstream. Throughput edged up to 328,000 barrels per day at our refineries and the upgrader compared to 323,000 barrels per day at this time last year. Our focused integration strategy, which includes infrastructure assets and marketing expertise, continues to give us the flexibility we need to maximize our suite of Upstream opportunities.

So, just to wrap up, we're continuing to deliver on our performance targets safely and reliably. Our foundation in Western Canada in heavy oil is undergoing rejuvenation, and we're positioning our business for significant near and mid-term growth in the Asia Pacific region, the oil sands, and the Atlantic region off the East Coast. I'll now turn you back to the Operator.

OPERATOR:
Our first question today comes from George Toriola from UBS. Please go ahead.

GEORGE TORIOLA:
Thanks, and good morning guys. I have a couple of questions. The first is on the economics of your thermal products; could you just quickly review that in terms of the capital cost, the operating cost, payback period, recycle ratio, those types of things, just on your thermal projects?

Asim Ghosh:

George, I think we intend to cover this more exhaustively at the Investor Day, so if you'll just be patient for a few weeks more, we do intend to have a comprehensive discussion and greater specifics on this.

George Toriola:

Okay, certainly. The other question is just around -- Rob had mentioned this. As you transition your portfolio, as we look towards 2016, is there any way you can fast-track this or sort of hasten this and move this closer than 2016?

Asim Ghosh:

Well, I think the present -- if you're talking of heavy oil, I think the profile that you're seeing today is already considerably fast-tracked from the targets we gave to you a year ago. Rob, do you want to take up specifics of that?

Rob Peabody:

Well, I think Asim has covered kind of heavy oil, and I think, George, you kind of know our game plan a little bit around that. I think on the reserves play front, I think we're still comfortable with our original target of one-third of our production coming by 2016. As we go through these, as I've emphasized before, the need to sort of work through these plays and do your homework before you sort of really apply lots of capital to them. And I guess the only other thing I'd say is we look at the overall capital plan for the company that fits well with our overall capital plan. So, we have lots of opportunities and sort of the pace we're going there, both technically and overall, when we look at the rest of the portfolio, feels about right.

George Toriola:

Great. Thanks a lot.

Operator:

The next question comes from Greg Pardy with RBC Capital Markets. Please go ahead.

Greg Pardy:

Thanks, good morning guys. Wondering just how relevant the fact that you're still negotiating the gas sales contract on Liuhua 34-2; just wondering if you can provide a little color around that?

Secondly, given the push in terms of Western Canada, I think at least year's Investor Day, you suggested you could hold volumes flat, but I'm wondering if on the oil and liquids side now you would be looking for growth?

And then, lastly, just any color around the Rainbow Muskwa would be great. Thanks.

ASIM GHOSH:
So, I'll start with the last question first. Again, I think this is a subject for the Investor Day disclosure, and we expect to have more information. But this is a major project but in its early stages of gestation, and we will have what information we think is in the bag, we will disclose to you at Investor Day.

GREG PARDY:
Okay.

ASIM GHOSH:
On the Liuhua pricing, I think that's just basically work in progress and we have given you guidance on the first part of the project, which is quite significant. There are a few development options and market options being discussed for the second part, but it's under 10% of the volume. So, really you have reasonable disclosure on 90% of the volume, and it would be really -- now we discussed -- you've got the dog, you're looking at the tail. And if you ask so many questions, I'm going to forget which of the three you asked around that.

GREG PARDY:
Oh, come on.

ASIM GHOSH:
I'm going to have to --

GREG PARDY:
Come on, Asim. Now, the last one's a lay-up for you, so do you think you can now grow Western Canada on the oil and liquids side?

ASIM GHOSH:

Well, the short answer is that is precisely the plan we're working on, but I remind you of our overall roadmap, so the first mega project that comes on-stream is the South China Sea, and we've given you a timeframe on that. The next one is Sunrise, and then we are advancing work on the East Coast. And in the context of this overall strategic plan, we are looking at transformational projects for Western Canada as the next leg across that. I'm sorry I always miss the fact that the transformation of heavy oil is already well underway.

GREG PARDY:

Okay.

ASIM GHOSH:

And what I don't want to fall into the trap of is stripping the gears by trying to do shortcuts and having the company running in every direction at the same time. Just by phasing our efforts properly, we've kept the ship on track now pretty well since I took over two-and-a-half years ago, and we want to stick to a predictable, steady, well thought through pace on the development of this company.

GREG PARDY:

Okay, that's great. Thanks very much.

OPERATOR:

The next question comes from Andrew Potter of CIBC. Please go ahead.

ANDREW POTTER:

Hi guys, I’ve got a few questions, but first, just on Sunrise. There's been a lot of speculation in the market about potential cost overruns here, so maybe you can comment a little bit in terms of how confident you are in the cost, or if it is under some pressure, what magnitude we're talking? And then I'll have a few other questions.

ASIM GHOSH:

I believe we've given some guidance on that in some meetings recently, but overall, I think this is again an update subject for the Investor Day when we expect to have concrete information for you. But here we are -- I mean we are about overall project 50% complete. You know, feed facility is about

60% complete. Detail engineering complete. And we have a reasonable handle on where we are. So, we see nothing in terms of what we have, which indicates a blowout either in money or in timing.

ANDREW POTTER:

Sure. And whatever inflationary pressures you are seeing on Sunrise 1, what does that sort of indicate to you about economics for Sunrise 2; is it starting to make in situ growth look more challenging going forward just with the inflation you're seeing, or does it still seem like economics are robust enough that inflation is under control?

ASIM GHOSH:

No, anything we are seeing so far does not give us any concern about the economics of the project versus our sanctioned plan. We are very comfortable with our sanctioned plan.

ANDREW POTTER:

And I'm sorry; I was talking more about how you think about Sunrise 2.

ASIM GHOSH:

Oh, okay. Well, Rob, why don't you take that?

ROB PEABODY:

It's almost the same as Asim just said. As you know, we're proceeding and have been doing the front-end engineering work around Sunrise Phase 2, so we have a good idea of how this is developing. Of course, it has the advantage that some of the infrastructure was put in place as part of Sunrise Phase 1. So we still believe those projects are going to have robust economics going forward.

ASIM GHOSH:

Yes, I do want to make the point, Andrew, I think our contracting strategy on Sunrise has turned out to be very sound and it's been a good learning for us, and of course, as you go into any project, there are additional learnings. We will incorporate those into Sunrise Phase 2, but if anything, they will lead to greater efficiencies, not less.

ANDREW POTTER:

Okay. And just on the in situ side, as well, what are the steam-oil-ratios on Pikes Peak and Paradise, roughly?

ROB PEABODY:

We'll give you better information at the Investor Day, but they're certainly under 3.

ANDREW POTTER:

Okay, good. And very last question, completely unrelated. There was an announcement, I guess, last week or the week before about LNG exports on East Coast Canada. I mean I know this has always been a very long-term thing for you guys, but does this make gas development from Terra Nova and White Rose a possibility this decade, or is that still more of a next decade-type thing?

ROB PEABODY:

Well, maybe I'll let Asim catch up on this, but just -- I would say that our focus on gas development on the East Coast is to actually aid in our oil development, so that's -- I mean in terms of our utilization of the gas, we're actually using it right now to enhance our oil production going forward, and given sort of the gas prices in the market out there, it seems like a sensible thing to do now.

In the long term, there's a resource there that's going to be valuable for, I'm sure, Newfoundland, valuable for ourselves and in the long term, I'm sure it will get developed.

ANDREW POTTER:

Okay, thanks.

OPERATOR:

The next question comes from Mike Dunn with First Energy Capital. Please go ahead.

MIKE DUNN:

Good morning everyone. Just a question on your Saskatchewan thermal projects; and, Asim, you may be deferring me to the Investor Day, but just in general, I wanted to just reconfirm. My impression is that the reserve life on these types of projects is somewhere sort of 15 to 20 years, so much longer than conventional but not maybe quite as long as some of the Athabasca oil sands projects. Is that sort of ballpark; am I in the right range there?

ROB PEABODY:

The short answer to that is yes.

MIKE DUNN:

Okay, great. And on the Muskwa, I'll try for one on the Muskwa. Are any of those wells that are completed, are they tied in and producing yet?

ASIM GHOSH:

That is definitely before the Investor Day.

MIKE DUNN:

Okay.

MIKE DUNN:

On the Lima refinery, can you just sort of review what you're looking at there to get -- I know you're getting a bit more sort of inland discounted crudes in there than you were in the past, but are you investigating any initiatives to sort of make a longer-term solution, or are you kind of thinking that you don't want to invest any pipelines because two or three years from now those differentials may be closed?

ASIM GHOSH:

No, no, actually, the overall strategic thrust of our, what I call our focused integration strategy, is to create flexibility and optionality. Okay? So, we actually have made commitments to pipeline capacity. Whether they are pipelines or whether they are dedicated outsourced capacity is irrelevant. But fundamentally, I'll remind you of what I said to you in earlier meetings. There are three strategic focus areas on our overall integration plan; input flexibility, i.e., including options on where we get feedstock so that we can switch from WTI to Brent to Canadian stock as the occasion demands; product flexibility, which is improving options on what we make, reacting to product market pricing at any point in time; and finally, market flexibility, improving options on where we sell product, and that, therefore, includes greater connectivity with the Atlantic Seaboard from our Midwest location. Okay. So, it's around those three areas that we've driven, and we've actually made substantial commitments in improving pipeline connectivity and are constantly looking at the low-hanging-fruit investments in terms of product flexibility.

MIKE DUNN:

Great. Thanks, everyone.

OPERATOR:

The next question comes from Andy Gustajtis with D&D Securities, Inc. Please go ahead.

ANDY GUSTAJTIS:

Good morning gentlemen. A very, good quarter. I just wanted to ask a question with reference to the South China Sea Project. I recall reading some time ago that the ODP was still pending. Has that been finally granted, or is that still in process?

ASIM GHOSH:

No, there's a long pipeline of ODPs for several companies in the South China -- in China in general, at this point in time, and we are a very exalted company because pretty well every super-major is in there, as well. But, basically, we have received permitting for all the appropriate stages of our project so far, and the overall ODP process is just something that's -- that's the process in China right now, but there's no reason to change our guidance because of that. That's how the regulatory process works in China.

ANDY GUSTAJTIS:

Thank you very much. I appreciate it, and very good job. Thank you.

OPERATOR:

This concludes the analysts' Q&A portion of today's call. We will now take questions from members of the media. The first question from media comes from Jeff Jones with Reuters. Please go ahead.

JEFF JONES:

Yes, I had two questions. The first relates to the economics of upgrading, and I'm wondering how that is being affected by the boom in light oil production in North America.

ASIM GHOSH:

Bob, why don't you take that one?

BOB BAIRD:

Well, that's why, as Asim had related earlier, in terms of our flexibility at the refinery in feedstocks, our investments in the Lima refinery will allow us to continue to operate as a cracking refinery and to have flexibility for heavy crudes when we want to use them and if they're economic. So we've actually looked at flexibility of the feedstocks, and we feel that we're well positioned there.

JEFF JONES:

Okay, but are you being squeezed in the Western Canadian upgrading environment?

ASIM GHOSH:

No, that's just a question of value moving between Upstream and Downstream for us, okay? We've got an upgrader bought years ago at very attractive book value, and then so, basically, that's just value moving up and down the chain. Bob, why don't you just speak to the asphalt point while you're at it?

BOB BAIRD:

Don't forget, we do have the upgrader in Lloyd, as well as our asphalt refinery, that provides us about 29 - 30,000 barrels a day of upgrading capacity, where we get high returns for our asphalt business. So as Asim alluded to just now, we move that value up and down the value chain as we see fit.

JEFF JONES:

Okay, and just one more question if I might. Obviously, refining margins in the interior of North America were pretty strong in the quarter. How long do you see that continuing?

ASIM GHOSH:

Oh, I think we just have to go back to the flexibility point because if those refining margins go down, it's presumably because WTI, of which the price Western Canada product is going up and then the value, comes back Upstream. So, broadly, I don't have a crystal ball any better than anybody else's, but I'm just positioning myself as a company to be in a place where in choppy markets I can move up and down the value chain and provide some overall stability.

JEFF JONES:

Thank you.

OPERATOR:

The next question comes from Rebecca Penty with Bloomberg News. Please go ahead.

REBECCA PENTY:

Hi there, thanks for taking my question. There was a mention earlier on the call about focusing drilling -- focusing gas activity on projects that can deliver returns at current gas prices. I'm just wondering whether Husky has a forecast for gas prices, whether you think the forward strip is accurate, whether we'll see higher or lower prices going forward.

ASIM GHOSH:

We are of the firm view, that, as I said a moment earlier, there is no extra magic in our crystal ball than anybody else's, and we don't give guidance on future pricing.

REBECCA PENTY:

Okay, thanks.

OPERATOR:

That is all the time allotted for questions on today's call. I will now turn the call back over to management for concluding comments.

ASIM GHOSH:

Thank you. Thank you, everybody, for your questions and for joining us on this call. So, I remind you again, our Annual Investor Day is scheduled for December 4th at the new, Four Seasons Hotel in Toronto, which I'm told is a spectacular venue. I'll leave you with a few thoughts until then. We've had a busy and productive year; continue to build on the progress we have achieved to date. We are consistently meeting or exceeding all our key performance goals, and it's been a very key focus for us internally to make sure that we have a predictable machine and we have a machine focused on execution because I think the strategy that we laid out two years ago continues to be – it's standing the test of time.

We are within that strategy rejuvenating our foundation in Western Canada in heavy oil to extract the greatest possible value from our oil resource plays on thermal technologies and continue to set the stage for our major growth products at Sunrise and Liwan, while advancing -- like clockwork, I'd like to think -- towards delivery over the next 12 to 18 months.

The only thing I'd like to leave you with, finally, is remember that in all of this, I'd just remind you of what Alister said, that part of the price we've paid for this focused integration strategy is that we've got the FIFO volatilities from quarter to quarter. That is not really fundamentally operational, but it affects our reported figures, and just keep that in mind as you look ahead.

Okay. Thank you very much.

OPERATOR:
Ladies and gentlemen, the conference has now concluded, and you may disconnect your telephone. Thank you for joining and have a pleasant day. Goodbye.