

# **HUSKY ENERGY INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON**

**April 21, 2005**

**MANAGEMENT INFORMATION CIRCULAR**

**March 16, 2005**

# **HUSKY ENERGY INC.**

**707 - 8th Avenue S.W.**

**Calgary, Alberta**

**T2P 1H5**

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** the annual meeting (the "Meeting") of holders of common shares ("Common Shares") of Husky Energy Inc. (the "Corporation") will be held in the Crystal Ballroom at the Fairmont Palliser Hotel, 133 - 9<sup>th</sup> Avenue S.W. Calgary, Alberta on the 21<sup>st</sup> day of April, 2005 at 10:30 a.m. (Calgary time), for the following purposes:

1. To receive the annual report of the board of directors to the shareholders and the consolidated audited financial statements of the Corporation for the fiscal year ended December 31, 2004;
2. To elect the board of directors for the ensuing year;
3. To appoint KPMG LLP, Chartered Accountants, of Calgary, Alberta, as auditors of the Corporation; and
4. To transact such other business as may be properly brought before the Meeting or any adjournment or adjournments thereof.

The details of all matters proposed to be put before shareholders at the Meeting are set forth in the Management Information Circular accompanying this Notice of Meeting. At the Meeting, shareholders will be asked to approve each of the foregoing items.

Only shareholders of record at the close of business on March 15, 2005 are entitled to notice of and to attend the annual meeting or any adjournment or adjournments thereof and to vote thereat.

**DATED** at the City of Calgary, in the Province of Alberta this 16<sup>th</sup> day of March, 2005.

### **BY ORDER OF THE BOARD OF DIRECTORS**

*"James D. Girgulis"*

James D. Girgulis

Vice President, Legal & Corporate Secretary

### **IMPORTANT**

It is desirable that as many Common Shares as possible be represented at the Meeting. If you do not expect to attend and would like your Common Shares represented, please complete the enclosed form of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the by-laws of the Corporation, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Computershare Trust Company of Canada, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 (Attention: Proxy Department), no later than 10:30 a.m. (Calgary time) on April 19, 2005 or on the second last business day preceding any adjournment of the Meeting.

# HUSKY ENERGY INC.

## ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 21, 2005

### MANAGEMENT INFORMATION CIRCULAR

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Husky Energy Inc. ("Husky" or the "Corporation") for use at the annual meeting of the holders of common shares (the "Common Shares") of the Corporation to be held on the 21st day of April, 2005 at 10:30 a.m. (Calgary time), or at any adjournment thereof (the "Meeting"), for the purposes set forth in the Notice of Meeting. The information contained herein is given as of the 15<sup>th</sup> day of March, 2005, except where otherwise indicated. There is enclosed herewith a form of proxy for use at the Meeting, together with a copy of the Corporation's Annual Report containing the financial statements of the Corporation to be presented at the Meeting. Each shareholder who is entitled to attend at meetings of shareholders is encouraged to participate in the Meeting and shareholders are urged to vote in person or by proxy on matters to be considered.

### APPOINTMENT AND REVOCATION OF PROXIES

Those shareholders desiring to be represented by proxy must deposit their respective forms of proxy with Computershare Trust Company of Canada ("Computershare") at 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 (Attention: Proxy Department) by no later than 10:30 a.m. (Calgary time) on April 19, 2005 or on the second last business day preceding any adjournment of the Meeting. A proxy must be executed by the shareholder or by his or her attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized. A proxy is valid only at the Meeting in respect of which it is given or any adjournment of the Meeting.

**Each shareholder submitting a proxy has the right to appoint a person to represent him, her or it at the Meeting other than the persons designated in the form of proxy furnished by the Corporation.** The shareholder may exercise this right by striking out the names of the persons so designated and inserting the name of the desired representative in the blank space provided, or by completing another form of proxy and in either case depositing the proxy with Computershare at the place and within the time specified above for the deposit of proxies.

**A proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his or her attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited with Computershare at the place and within the time specified above for the deposit of proxies. The close of business on March 15, 2005 is the record date for the determination of shareholders who are entitled to notice of, and to attend and vote at, the Meeting (the "Record Date").

Shareholders who do not hold their Common Shares in their own name (referred to herein as "beneficial shareholders") are advised that only proxies from shareholders of record can be recognized and voted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Corporation. Such Common Shares will more likely be

registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the beneficial shareholder. Without specific instructions, brokers/nominees are prohibited from voting Common Shares for their clients. The directors and officers of the Corporation do not know for whose benefit the Common Shares registered in the name of CDS & Co. are held, and directors and officers of the Corporation do not necessarily know for whose benefit the Common Shares registered in the name of any broker or agent are held. Beneficial shareholders who complete and return a form of proxy must indicate thereon the person (usually a brokerage house) who holds their Common Shares as a registered shareholder. Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial shareholders in advance of shareholders' meetings. Every intermediary (broker) has its own mailing procedure, and provides its own return instructions, which should be carefully followed. The form of proxy supplied to beneficial shareholders is identical to that provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of the beneficial shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically applies a special sticker to the proxy forms, mails those forms to the beneficial shareholders and asks beneficial shareholders to return the proxy forms to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A beneficial shareholder receiving a proxy with an ADP sticker on it cannot use that proxy to vote Common Shares directly at the Meeting. The proxy must be returned to ADP well in advance of the Meeting in order to have the Common Shares voted.**

All references to shareholders in this Management Information Circular and the accompanying form of proxy and Notice of Meeting are to shareholders of record, unless specifically stated otherwise.

### EXERCISE OF DISCRETION

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder where voting is by way of a show of hands or by ballot. **The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. If any such matters should come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their best judgment unless the shareholder has specified to the contrary or that Common Shares are to be withheld from voting. At the time of printing this Management Information Circular, the management of the Corporation is not aware of any such amendment, variation, or other matter.**

**Unless otherwise specified, proxies in the accompanying form will be voted in favour of the election of the nominees hereinafter set forth as directors of the Corporation (provided that in the event that a vacancy among such nominees occurs because of death or for any other reason prior to the Meeting, proxies shall not be voted with respect to such vacancy) and in favour of the appointment of KPMG LLP, Chartered Accountants as auditors of the Corporation.**

### PERSONS MAKING THE SOLICITATION

This solicitation is made on behalf of the management of the Corporation. The cost incurred in the preparation and mailing of both the proxy and this Management Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal

delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated therefor.

In accordance with National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at February 28, 2005, the Corporation had 423,817,419 Common Shares outstanding. Each Common Share confers upon the holder thereof the right to one vote. Only those shareholders of record on the Record Date are entitled to notice of, and to attend and vote at the Meeting. Any transferee or person acquiring Common Shares after the Record Date may, on proof of ownership of Common Shares, demand of Computershare not later than 10 days before the Meeting that his, her or its name be included in the list of persons entitled to attend and vote at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, as at February 28, 2005 no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the voting rights attached to all of the outstanding Common Shares of the Corporation other than as set forth below:

<u>Name</u>	<u>Type of Ownership</u>	<u>Number of Common Shares</u>	<u>Percentage of Common Shares</u>
L.F. Investments (Barbados) Limited	Beneficial and of Record	152,789,389 <sup>(1)</sup>	36.05%
U.F. Investments (Barbados) Ltd.	Beneficial and of Record	146,797,649 <sup>(2)</sup>	34.64%

#### NOTES:

- (1) L.F. Investments (Barbados) Limited also owns 6,630 transferable common share purchase warrants of the Corporation. Each common share purchase warrant is exercisable at a price of \$0.01 for 1.857 Common Shares in accordance with the terms of such warrants as summarized in note (3) below for an aggregate of up to 12,312 Common Shares. L.F. Investments (Barbados) Limited is 100% indirectly owned by Mr. Li Ka-shing and trusts of which members of Mr. Li's family are discretionary beneficiaries, and is indirectly controlled by Mr. Li through the ownership of voting preferred shares.
- (2) U.F. Investments (Barbados) Ltd. also owns 6,370 transferable common share purchase warrants of the Corporation. Each common share purchase warrant is exercisable at a price of \$0.01 for 1.857 Common Shares in accordance with the terms of such warrants as summarized in note (3) below for an aggregate of up to 11,829 Common Shares. U.F. Investments (Barbados) Ltd. is 100% indirectly owned by Hutchison Whampoa Limited of which Mr. Li Ka-shing is the Chairman. Trusts of which members of Mr. Li's family are discretionary beneficiaries hold an indirect 37.04 % interest in Cheung Kong (Holdings) Limited, which holds an indirect 49.9% interest in Hutchison Whampoa Limited.
- (3) The common share purchase warrants were issued pursuant to the Plan of Arrangement with Renaissance Energy Ltd. ("Renaissance") completed on August 25, 2000 and are only exercisable if and when the stock options of Renaissance, which were exchanged for stock options of the Corporation pursuant to the Plan of Arrangement (the "Exchanged Options"), are exercised. The common share purchase warrants expire on a pro rata basis as the Exchanged Options are cancelled or expire.

## EXECUTIVE COMPENSATION

The Corporation's compensation program (the "Compensation Program") is governed by the Compensation Committee of the board of directors of the Corporation. Among its responsibilities, the Compensation Committee makes recommendations to the board with respect to compensation of the executive officers of the Corporation and also reviews and monitors the design and competitiveness of major new compensation programs for the Corporation and its operating subsidiaries. During 2004, no new compensation or benefit programs were introduced.

During 2004, the members of the Compensation Committee were C.K.N. Fok, Co-Chair of the Board, H. Kluge, E.L. Kwok and F.J. Sixt. Mr. Fok served as Chair of the Compensation Committee.

### **Report on Executive Compensation**

The Compensation Program is intended to attract, motivate, reward and retain the management talent needed to achieve the Corporation's business objectives. Based on a pay-for-performance philosophy, it rewards executive officers on the basis of individual performance and achievement of corporate objectives.

The Corporation participates in an annual Towers Perrin executive compensation survey, conducted by independent consultants, of the salary and other incentive programs in effect with comparative oil and gas companies in Canada (the "Survey"). The Survey is employed as a reference by the Compensation Committee in its deliberations. The executive compensation of the Corporation is comprised of three major components: base salaries, a short-term incentive program, and long-term incentive plan.

#### *Base Salary*

The base salary of the President & Chief Executive Officer, and of each of the other executive officers, is determined by the Compensation Committee based on the level of responsibility and the experience of the individual, the relative importance of the position to the Corporation and the performance of the individual over time. Remuneration is determined following a review of a comparative group of eight (8) similar sized Canadian oil and gas companies. The Compensation Committee considers that a competitive base salary for all employees of the Corporation is a key factor in achieving and maintaining the Corporation's desired competitive positioning in the oil and gas industry. The Corporation uses a variety of salary surveys to establish a guideline for its salary ranges for employees at large, but uses Towers Perrin for the executive survey due to participating peer companies.

#### *Short-term Incentive Program*

The purpose of the corporate bonus plan is to relate a component of compensation directly to a combination of annual corporate results, an assessment of the individual's performance and the particular business area in which the individual is employed. The executives are assessed on the same consistent basis whereby bonuses are determined after the Corporation's financial results for the preceding financial year are known.

#### *Long-term Incentive Compensation (Incentive Stock Option Plan)*

The purpose of the Incentive Stock Option Plan (the "Plan") is to enable the Corporation in appropriate circumstances to offer ownership interests in the Corporation through stock options in order to provide competitive employment opportunities within the Corporation's industry. It is important that this compensation element be used to align the perspective of key employees to those of a shareholder

and that this compensation element encourage a longer-term perspective beyond the one-year range of the short-term incentive.

Pursuant to the Plan, the board of directors may, on the recommendation of the Compensation Committee, grant from time to time to directors, officers and employees of the Corporation (each an "Eligible Person") options to purchase Common Shares of the Corporation. The exercise price at which Common Shares may be purchased pursuant to an option is established at the time such option is granted and will be the weighted average trading price per Common Share on the Toronto Stock Exchange (the "TSX") for the five days preceding the grant date. The term of each option may be fixed by the board of directors when the option is granted to a maximum of five years. Options will vest as to one-third on each anniversary date of the date of grant of the options, subject to the right of the board of directors to determine at the time of grant that particular options will be exercisable in whole or in part on earlier dates. The maximum number of Common Shares that may be reserved for issuance pursuant to options granted under the Plan is presently fixed at 30,000,000 which represents approximately 7% of the Corporation's outstanding Common Shares as of December 31, 2004. The maximum number of Common Shares that may be optioned to any one Eligible Person under the Plan together with all other previously established or proposed options, shall not exceed 1% of the total number of Common Shares issued and outstanding on a non-diluted basis. The maximum number of Common Shares which may be reserved for issue pursuant to options granted to insiders under the Plan together with all other previously established or proposed share compensation arrangements, in aggregate shall not exceed 10% of the total number of issued and outstanding Common Shares on a non-diluted basis and in the case of outside directors shall not exceed 5% of the Common Shares issuable under the Plan at any time. The number of Common Shares which may be issuable under the Plan, together with all of the Corporation's other previously established or proposed share compensation arrangements within a one-year period: (i) to insiders in aggregate, shall not exceed 10% of the issued and outstanding Common Shares; (ii) to any one Eligible Person who is an insider, shall not exceed 1% of the issued and outstanding Common Shares; and (iii) to outside directors shall not exceed 5% of the number of options granted to all Eligible Persons during such year. The options are not assignable and terminate immediately upon the Eligible Person being dismissed from his or her employment for cause or resigning at the request of the Corporation, or terminate after 90 days upon the Eligible Person resigning his or her office or employment (other than at the request of the Corporation) or is dismissed without cause. Any material amendments to the Plan require shareholder approval in accordance with the rules of the TSX.

On June 1, 2004 the board of directors approved amendments to the Plan which allow Eligible Persons to surrender their options to the Corporation in consideration of the receipt by the Eligible Person of an amount in cash equal to the excess of the aggregate fair market value of the Common Shares able to be purchased pursuant to the vested and exercisable portion of such options on the date of surrender over the aggregate exercise price for those Common Shares pursuant to those options. The fair market value on any date of the Common Shares is determined to be the weighted average trading price of the Common shares on the stock exchange on which the Common Shares are listed and posted on the date on which board lots of the Common Shares have traded preceding the date of surrender of the options. As required by the rules of the TSX, upon the surrender of options the number of Common Shares reserved for issuance under the Plan is to be reduced by the number of options so surrendered. Shareholder approval of the amendments to the Plan was not required in accordance with the rules of the TSX governing share compensation arrangements.

Executive officers do not receive options on an annual basis. Executive officers were granted options in 2000 and in 2004. As of December 31, 2004, the total number of options outstanding under the Plan was 9,939,791 which represented approximately 2% of all outstanding Common Shares.

### *Benefit Plans*

The executive officers participate with all employees in the benefit plans provided by the Corporation. There are no special supplemental pension or benefits plans in place for any of the executive officers. The Corporation has a 5% Savings Plan for all employees, including the executive officers. Additionally, the executive officers receive a monthly vehicle allowance.

### *Compensation of the President & Chief Executive Officer*

The Compensation Committee assesses the overall financial performance and compensation of John C.S. Lau, the President & Chief Executive Officer, on the basis of his sustained performance over time in meeting the following key mandates of his office:

- To increase gross oil and gas production year over year as the main revenue driver for Husky;
- To increase earnings and cash flow through the judicious expansion of Husky by development, acquisition or merger;
- With specific reference to Husky's strategic plans, to position Husky in existing and potential related business areas to enhance the Corporation's longer range growth plans; and
- To increase shareholder value as reflected in the share price for Husky.

The foregoing report is respectfully submitted to the shareholders of the Corporation by the Compensation Committee:

#### **MEMBERS:**

Canning K.N. Fok, Chair  
 Holger Kluge  
 Eva L. Kwok  
 Frank J. Sixt

#### **Senior Executive Compensation**

The following table details compensation information for the three financial years of the Corporation ended December 31, 2004 for the Corporation's President & Chief Executive Officer, John C.S. Lau, the Vice President & Chief Financial Officer, Neil D. McGee and the Corporation's three most highly compensated executive officers as at December 31, 2004, Donald R. Ingram, Senior Vice President, Midstream and Refined Products, Robert S. Coward, Vice President, Western Canada Production and David R. Taylor, Vice President, Exploration (collectively, the "Named Executive Officers").

### Summary Compensation Table

Name and Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation \$
		Salary \$	Bonus <sup>(1)</sup> \$	Other Annual Compensation <sup>(2)</sup> \$	Awards		Payouts	
					Securities Under Options <sup>(3)</sup> #	Shares Subject to Resale Restrictions %	LTIP Payouts \$	
John C.S. Lau President & Chief Executive Officer	2004	977,500	-	176,522	640,000	-	-	-
	2003	895,000	1,312,500	159,188	-	-	-	-
	2002	835,000	875,000	134,767	-	-	-	-
Neil D. McGee Vice President & Chief Financial Officer	2004	385,500	-	66,710	200,000	-	-	-
	2003	368,000	120,000	65,981	-	-	-	-
	2002	356,000	100,000	47,106	-	-	-	-
Donald R. Ingram Senior Vice President, Midstream & Refined Products	2004	353,750	-	73,766	120,000	-	-	-
	2003	331,250	180,000	86,790	-	-	-	-
	2002	313,750	130,000	30,877	-	-	-	-
Robert S. Coward Vice President, Western Canada Production	2004	293,000	-	64,046	75,000	-	-	-
	2003	269,000	140,000	73,909	-	-	-	-
	2002	253,750	85,000	48,066	-	-	-	-
David R. Taylor Vice President, Exploration	2004	270,500	-	55,910	75,000	-	-	-
	2003	254,000	140,000	49,509	-	-	-	-
	2002	242,500	85,000	43,853	-	-	-	-

#### NOTES:

- (1) Bonuses are based on performance in the year prior to the year in which they are paid. The bonuses disclosed in the table for each year were earned in respect of performance for that year although paid in the following year. Bonuses for the Named Executive Officers for performance in 2004 are determined effective April 1, 2005.
- (2) Includes savings plan, parking, vehicle allowance, defined contribution pension contributions and any unused vacation payouts, if applicable.
- (3) Includes previously granted options which were repriced effective September 3, 2003 (except for Messrs. Coward and Taylor who had previously exercised all of their options which were repriced effective September 3, 2003) and November 29, 2004. See "Executive Compensation - Adjustments to the Exercise Price of Options".

#### Option Grants During the Most Recently Completed Financial Year

The following table sets forth information in respect of options granted to the Named Executive Officers during the financial year ended December 31, 2004.

<b>Name</b>	<b>Securities Under Options (#)<sup>(1)</sup></b>	<b>Percent of Total Options Granted to Employees in Financial Year</b>	<b>Exercise or Base Price (\$/Security)</b>	<b>Market Value of Securities Underlying Options on the date of Grant (\$/Security)</b>	<b>Expiration Date</b>
John C.S. Lau President & Chief Executive Officer	420,000	5.1%	24.38	23.91	June 2, 2009
Neil D. McGee Vice President & Chief Financial Officer	100,000	1.2%	24.38	23.91	June 2, 2009
Donald R. Ingram Senior Vice President, Midstream & Refined Products	100,000	1.2%	24.38	23.91	June 2, 2009
Robert S. Coward Vice President, Western Canada Production	75,000	0.9%	24.38	23.91	June 2, 2009
David R. Taylor Vice President, Exploration	75,000	0.9%	24.38	23.91	June 2, 2009

**NOTE:**

(1) The options granted vest as to one-third on each anniversary date of the date of grant of the options.

### **Aggregated Option Exercises During the Most Recently Completed Financial Year End and Financial Year End Option Values**

The following table sets forth information in respect of aggregated option exercises by the Named Executive Officers during the year ended December 31, 2004 together with the number and value of unexercised options held as at December 31, 2004.

<b>Aggregated Option Exercises During the Most Recently Completed Financial Year End and Financial Year End Option Values</b>				
<b>Name</b>	<b>Securities Acquired on Exercise<sup>(1)</sup> (#)</b>	<b>Aggregate Value Realized (\\$)</b>	<b>Unexercised Options At Financial Year End Exercisable/ Unexercisable (#)</b>	<b>Value of Unexercised In-The-Money Options at Financial Year End Exercisable/ Unexercisable<sup>(2)</sup> (\\$)</b>
John C.S. Lau President & Chief Executive Officer	-	3,565,000	220,000/420,000	4,826,800/4,145,400
Neil D. McGee Vice President & Chief Financial Officer	-	-	100,000/100,000	2,194,000/987,000
Donald R. Ingram Senior Vice President, Midstream & Refined Products	-	400,800	20,000/100,000	438,800/987,000
Robert S. Coward Vice President, Western Canada Production	-	526,300	0/75,000	0/740,250
David R. Taylor Vice President, Exploration	-	1,025,800	0/75,000	0/740,250

**NOTES:**

- (1) Pursuant to the terms of the Corporation's Incentive Stock Option Plan the Named Executive Officers surrendered options for a cash payment from the Corporation equal to the aggregate fair market value of the Common Shares on the date of surrender over the aggregate exercise price of those options surrendered and hence no Common Shares were acquired. See "Executive Compensation - Report on Executive Compensation - Long-term Incentive Compensation (Incentive Stock Option Plan)".
- (2) Based on the closing price of the Common Shares on December 31, 2004 of \$34.25.

**Adjustments to the Exercise Price of Options**

Effective September 3, 2003, the Corporation reduced the exercise price of all of its outstanding options held by its officers and employees by \$0.82 per Common Share. This reduction followed the Corporation's declaration of a special dividend of \$1.00 per Common Share paid on October 1, 2003 to shareholders of record on August 29, 2003. The adjustment to the exercise price of all outstanding options was done in accordance with the provisions of the Corporation's Incentive Stock Option Plan. The reduction of \$0.82 per Common Share was the difference between the closing price on the last trading day before the Corporation's Common Shares began trading ex-dividend (being August 26, 2003) and the opening price on the first day that the Corporation's Common Shares traded ex-dividend (being August 27, 2003).

Effective November 29, 2004, the Corporation reduced the exercise price of all of its outstanding options held by its officers and employees by \$0.48 per Common Share. This reduction followed the Corporation's declaration of a special dividend of \$0.54 per Common Share paid on January 1, 2005 to shareholders of record on November 26, 2004. The adjustment to the exercise price of all outstanding options was done in accordance with the provisions of the Corporation's Incentive Stock Option Plan.

The reduction of \$0.48 per Common Share was the difference between the weighted average trading price on the last trading day before the Corporation's Common Shares began trading ex-dividend (being November 23, 2004) and the weighted trading average trading price on the first day that the Corporation's Common Shares traded ex-dividend (being November 24, 2004). The following table sets forth information in respect of the adjustment in the exercise price of options held by the Named Executed Officers.

Name	Date of Repricing	Securities Under Options Repriced <sup>(1)</sup> (#)	Market Price of Common Shares at Time of Repricing (\$/Common Share)	Exercise Price at Time of Repricing (\$/Common Share)	New Exercise Price (\$/Common Share)	Length of Original Option Term Remaining at Date of Repricing
John C.S. Lau President & Chief Executive Officer	Nov. 29/04	220,000	34.99	12.79	12.31	10 months
	Nov. 29/04	420,000	34.99	24.86	24.38	4.5 years
	Sept. 3/03	420,000	19.75	13.61	12.79	2 years
Neil D. McGee Vice President & Chief Financial Officer	Nov. 29/04	100,000	34.99	12.79	12.31	10 months
	Nov. 29/04	100,000	34.99	24.86	24.38	4.5 years
	Sept. 3/03	100,000	19.75	13.61	12.79	2 years
Donald R. Ingram Senior Vice President, Midstream & Refined Products	Nov. 29/04	20,000	34.99	12.79	12.31	10 months
	Nov. 29/04	100,000	34.99	24.86	24.38	4.5 years
	Sept. 3/03	50,000	19.75	13.61	12.79	2 years
Robert S. Coward Vice President, Western Canada Production	Nov. 29/04	10,000	34.99	12.79	12.31	10 months
	Nov. 29/04	75,000	34.99	24.86	24.38	4.5 years
	Sept. 3/03	80,000	19.75	13.61	12.79	2 years
David R. Taylor Vice President, Exploration	Nov. 29/04	75,000	34.99	24.86	24.38	4.5 years
	Sept. 3/03	60,000	19.75	13.61	12.79	2 years

**NOTE:**

- (1) The figures in this column do not represent the aggregate number of options held by the Named Executive Officers but represent the number of options held at the timing of the repricing. See "Aggregated Option Exercises During the Most Recently Completed Financial Year End and Financial Year End Option Values" for disclosure of the number of options held by the Named Executive Officers as at December 31, 2004.

**Employment Agreements**

Other than the Corporation's President & Chief Executive Officer and Vice President & Chief Financial Officer, all of the named Executive Officers have Executive Employment Agreements with Husky Oil Operations Limited, the Corporation's principal operating subsidiary. The Corporation's President & Chief Executive Officer and Vice President & Chief Financial Officer do not have Executive Employment Agreements. The terms of the Executive Employment Agreements provide that in the event of the termination of the Named Executive Officer by the Corporation without just cause or by the Named Executive Officer following a change of control, the Named Executive Officer shall be entitled to receive a retiring allowance consisting of a lump sum cash amount equal to two times the Named Executive

Officer's base annual salary plus the continuation of all group benefits for a period of 24 months following the termination of employment, or at the Corporation's option, in lieu of such continued coverage, an additional cash payment equal to 15% of two times the Named Executive Officer's base annual salary. In the event the Named Executive Officer terminates his Executive Employment Agreement upon a change of control, the Named Executive Officer has agreed, at the Corporation's option, to continue his employment for a period of up to six months following such termination at his existing compensation package, to assist the Corporation in an orderly transition of management. The Executive Employment Agreements also contain non-competition and standard confidentiality provisions. The Named Executive Officers have agreed that so long as they are employed by the Corporation, they are not to engage in any practice or business in competition with the business of the Corporation or any of its affiliates. Such restriction does not prevent the Named Executive Officer from resigning from the Corporation and seeking other employment.

### **Compensation of Directors**

Directors of the Corporation are paid an annual fee of \$27,000. In addition, the directors are paid a fee of \$1,200 per meeting of the board or of a committee of the board attended. The directors of the Corporation are also entitled to reimbursement for out-of-pocket expenses for attendance at meetings of the board of directors and any committees of the board of directors. The Chairs of the committees of the board of directors are to be paid an annual retainer of \$5,500. During the financial year ended December 31, 2004, the directors of the Corporation were paid compensation in the aggregate amount of \$418,733. Pursuant to the terms of the Corporation's Incentive Stock Option Plan the directors are entitled to receive options. However, to date non-executive directors have not been granted options and there are no current plans to do so.

Effective January 1, 2005 the board of directors have approved the implementation of a Share Purchase Plan for Directors whereby the directors can elect to have the fees payable to them used to purchase Common Shares in the market. Directors are to elect annually whether they wish their directors' fees to be so used and can specify a portion of their directors' fees to be used for the purchase of Common Shares with the remaining amount of fees to be paid in cash. Directors are expected to each acquire a minimum of 5,000 Common Shares over the ensuing five year period pursuant to the Share Purchase Plan for Directors.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets forth information as at December 31, 2004 with respect to the Corporation's compensation plans under which equity securities of the Corporation are authorized for issuance.

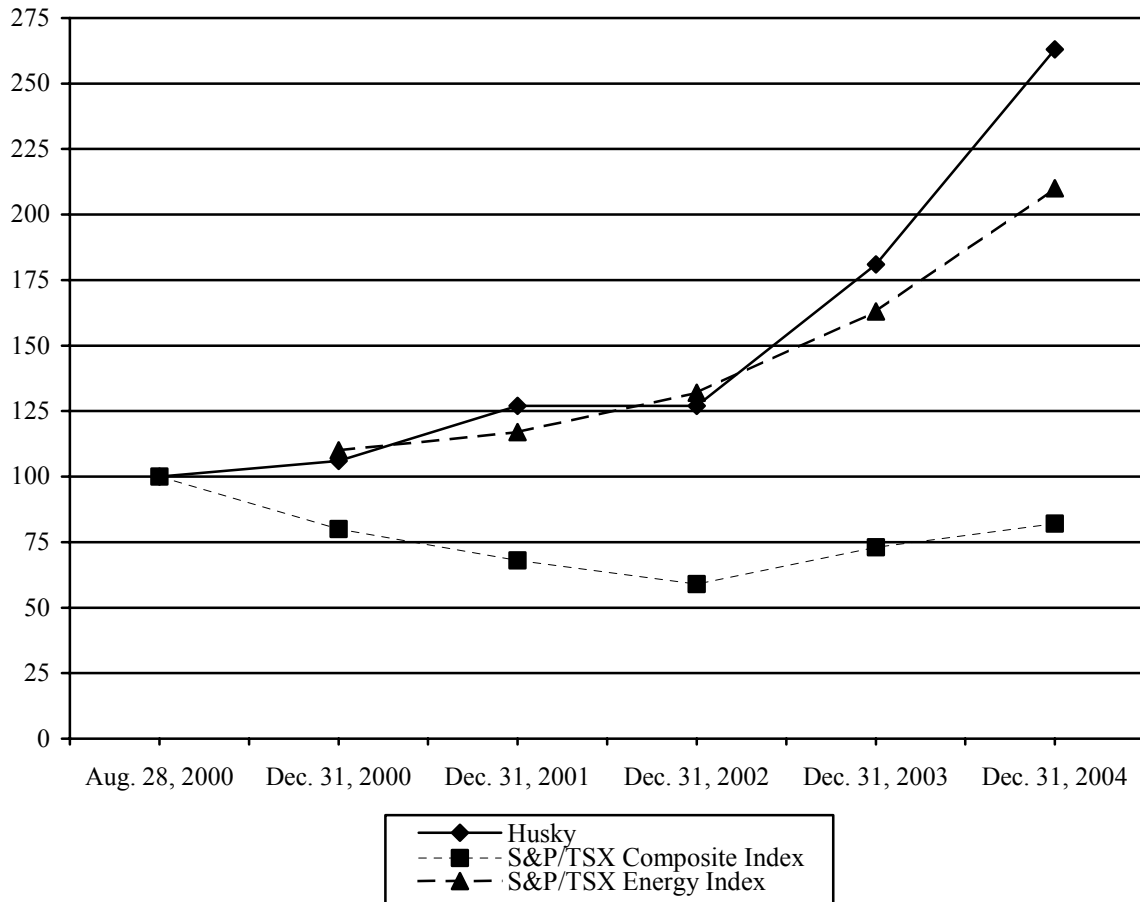
**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)</b>
Equity compensation plans approved by securityholders	9,964,291	\$22.61	13,235,021
Equity compensation plans not approved by securityholders	Nil	N/A	N/A
<b>Total</b>	9,964,291	-	13,235,021

**Performance Graph**

The following performance graph compares the Corporation's cumulative total shareholder return on Common Shares over the period from August 28, 2000 (the first day of trading of the Corporation's Common Shares on the TSX following the completion of the Plan of Arrangement with Renaissance on August 25, 2000) to December 31, 2004, assuming a \$100 initial investment and the reinvestment of all dividends, with the cumulative total shareholder return on the S&P/TSX Composite Index and the TSX Integrated Oil Index.

### Cumulative Value of a \$100 Investment



	Aug. 28, 2000	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Husky	100	106	127	127	181	263
S&P/TSX Composite Index <sup>(1)</sup>	100	80	68	59	73	82
S&P/TSX Energy Index <sup>(2)</sup>	100	110	117	132	163	210

**NOTES:**

- (1) Formerly the TSE 300 Index.
- (2) The Corporation has previously provided a comparison to the TSX Integrated Oils Index. The calculation of the TSX Integrated Oils Index was discontinued by the TSX in May 2003 and then was calculated by Bloomberg as the TSX Integrated Oil Index. Bloomberg discontinued the calculation of this index in 2004. As a result, the Corporation is unable to provide a comparison for 2004 to the TSX Integrated Oil Index and was not aware at the time of preparing its Management Information Circular for last year's shareholders meeting that this index would no longer be available. Hence the Corporation is providing a comparison to the S&P/TSX Energy Index from August 28, 2000.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation's governance practices are the responsibility of the board of directors of the Corporation. The board of directors has delegated some of its responsibilities to develop and monitor the Corporation's governance practices to the Corporate Governance Committee. The board believes that good corporate governance is of fundamental importance to the success of the Corporation and, in 2004, with the encouragement of the board, the Corporation continued to strengthen its governance practices. The Corporate Governance Committee makes recommendations from time to time to the board concerning changes in the specific duties and responsibilities of the board and its committees to keep up to date with corporate governance practices and new regulations. The terms of reference of all committees are reviewed at least annually and are published on the Corporation's website at [www.huskyenergy.ca](http://www.huskyenergy.ca).

The board reviewed its corporate governance practices at meetings on February 18, April 21, July 21 and November 18, 2004. The Corporation's governance practices are generally consistent with the guidelines for effective corporate governance published by the TSX (the "TSX Guidelines"). Schedule A to this Management Information Circular summarizes the TSX Guidelines and the Corporation's alignment with them.

In late 2004 the Canadian Securities Administrators ("CSA") published for comment a proposed national instrument entitled "Disclosure of Corporate Governance Practices" and a proposed national policy entitled "Corporate Governance Guidelines". In January 2005 a CSA staff notice was issued advising that the comments received were being considered and it was anticipated that the proposed national instrument and national policy would be effective for financial years ending on or after June 30, 2005. It is expected that once this new national instrument and new national policy are in place, the TSX will revoke its corporate governance requirements.

## ELECTION OF DIRECTORS

At the Meeting, it is proposed that 14 directors be elected until the next annual meeting of shareholders or until their successors are elected or appointed. There are currently 14 directors of the Corporation. Pursuant to the *Business Corporations Act* (Alberta), the current directors of the Corporation cease to hold office at the close of the Meeting.

The following table sets forth, in respect of each nominee, all positions currently held with the Corporation, principal occupation and the approximate number of Common Shares of the Corporation beneficially owned, directly or indirectly, or over which voting control is exercised as of February 28, 2005. The information contained herein is based upon information furnished by the respective nominee.

Name and Municipality of Residence	Date Served as a Director	Office or Position	Principal Occupation and Directorships	Number of Common Shares Owned or Subject to Control or Direction
Li, Victor T. K. Hong Kong	August 25, 2000	Co-Chair and Director	Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited (a public investment holding and project management company). Mr. Li holds the following positions in public companies: Deputy Chairman and Executive Director of Hutchison Whampoa Limited (an investment holding company), Chairman and Director of Cheung Kong Infrastructure Holdings Limited (an infrastructure development company), CK Life Sciences Int'l., (Holdings) Inc. (a biotechnology company) and Executive Director of Hongkong Electric Holdings Limited (a holding company). Mr. Li is also a director of The Hongkong and Shanghai Banking Corporation Limited.	—
Fok, Canning K.N. Hong Kong	August 25, 2000	Co-Chair and Director	Group Managing Director and Executive Director of Hutchison Whampoa Limited. Mr. Fok holds the following positions in public companies: Chairman and Director of Hutchison Harbour Ring Limited (an investment holding company), Hutchison Telecommunications (Australia) Limited (a telecommunications company), Partner Communications Company Ltd. (a telecommunications company), Hutchison Global Communications Limited (formerly Vanda Systems & Communications Holdings Limited) (an investment holding company) and Hutchison Telecommunications	300,000

<b>Name and Municipality of Residence</b>	<b>Date Since Served as a Director</b>	<b>Office or Position</b>	<b>Principal Occupation and Directorships</b>	<b>Number of Common Shares Owned or Subject to Control or Direction</b>
			International Limited (an investment holding company), Deputy Chairman and Director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited and a director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Finance (CI) Limited (a finance company). Mr. Fok is also a Non-Executive Director of the following public companies: Hanny Holdings Limited and Panvas Gas Holdings Limited.	
Fullerton, R. Donald Toronto, Ontario Canada	May 1, 2003	Director	Corporate Director. Mr. Fullerton is a director of the following public companies: George Weston Limited (a holding company), Asia Satellite Telecommunications Holdings Limited and Partner Communications Company Ltd.	5,000
Glynn, Martin J.G. New York, New York United States of America	August 25, 2000	Director	President, Chief Executive Officer and a director of HSBC Bank USA. Mr. Glynn is also Group General Manager of HSBC Holdings plc, a public company.	—
Hui, Terence C.Y. Vancouver, British Columbia Canada	August 25, 2000	Director	Director, President & Chief Executive Officer, Concord Pacific Group Inc. (a real estate development company), Director and President of Adex Securities Inc. (a financial services company). Mr. Hui holds the following positions in public companies: Director and Chairman of Maximizer Software Inc. and a director of abc Multiactive Limited (computer software companies).	—

<b>Name and Municipality of Residence</b>	<b>Date Since Served as a Director</b>	<b>Office or Position</b>	<b>Principal Occupation and Directorships</b>	<b>Number of Common Shares Owned or Subject to Control or Direction</b>
Kinney, Brent D. Dubai, United Arab Emirates	August 25, 2000	Director	Independent businessman. Mr. Kinney is also a director of Dragon Oil plc listed on the London Stock Exchange.	33,369
Kluge, Holger Toronto, Ontario Canada	August 25, 2000	Director	Corporate Director. Mr. Kluge is a director of the following public companies: Hutchison Whampoa Limited, Hongkong Electric Holdings Limited, Hutchison Telecommunications (Australia) Limited, Loring Ward International Limited and TOM Group Limited.	10,000
Koh, Poh Chan Hong Kong	August 25, 2000	Director	Finance Director, Harbour Plaza Hotel Management (International) Ltd.	—
Kwok, Eva L. Vancouver, British Columbia Canada	August 25, 2000	Director	Chairman, director and Chief Executive Officer, Amara International Investment Corp. (an investment holding company). Mrs. Kwok is also a director of the following public companies: Bank of Montreal Group of Companies, CK Life Sciences Int'l. (Holdings) Inc., Cheung Kong Infrastructure Holdings Limited and Shoppers Drug Mart (retail drug stores).	5,000
Kwok, Stanley T.L. Vancouver, British Columbia Canada	August 25, 2000	Director	President, Stanley Kwok Consultants (an architecture, planning and development company) and a director and President of Amara International Investment Corp. Mr. Kwok is also a director of Cheung Kong (Holdings) Limited.	10,000
Lau, John C.S. Calgary, Alberta Canada	August 25, 2000	President & Chief Executive Officer and Director	President & Chief Executive Officer of Husky Energy Inc.	21,356

<b>Name and Municipality of Residence</b>	<b>Date Since Served as a Director</b>	<b>Office or Position</b>	<b>Principal Occupation and Directorships</b>	<b>Number of Common Shares Owned or Subject to Control or Direction</b>
Shaw, Wayne E. Toronto, Ontario Canada	August 25, 2000	Director	Senior Partner, Stikeman Elliott LLP, Barristers and Solicitors	7,500
Shurniak, William Australia	August 25, 2000	Deputy Chair and Director	Director and Chairman of ETSA Utilities, Powercor Australia Limited and CitiPower Pty Ltd. (utility companies). Mr. Shurniak is also a director of the following public companies: Hutchison Whampoa Limited and Envestra Limited (a natural gas distribution company).	—
Sixt, Frank J. Hong Kong	August 25, 2000	Director	Group Finance Director and Executive Director of Hutchison Whampoa Limited. Mr. Sixt also holds the following positions in public companies: Chairman and Director of TOM Group Limited and TOM Online Inc. (an investment holding company), an Executive Director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited and a Director of Cheung Kong (Holdings) Limited, Hutchison Whampoa Finance (CI) Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Telecommunications International Limited, Hutchison Global Communications Holdings Limited and Partner Communications Company Ltd.	—

The board of directors has an Audit Committee (as required by the *Business Corporations Act* (Alberta)) consisting of R. D. Fullerton (Chair), M.J.G. Glynn, T.C.Y. Hui and W.E. Shaw, a Compensation Committee consisting of C.K.N. Fok (Chair), H. Kluge, E.L. Kwok and F.J. Sixt, a Health, Safety and Environment Committee consisting of H. Kluge (Chair), B.D. Kinney, and S.T.L. Kwok, and a Corporate Governance Committee consisting of H. Kluge (Chair), E.L. Kwok and W.E. Shaw. The Corporation does not have an Executive Committee.

## Directors Attendance at Meetings

The following table summarizes the meetings of the board and its committees held during 2004 and the attendance of the individual directors of the Corporation at such meetings.

Director	Meetings of the Board and Committees				
	Board	Audit	Compensation	Health, Safety and Environment	Corporate Governance
Victor T.K. Li	3 of 4	--	--	--	--
Canning K.N. Fok	4 of 4	--	2 of 2	--	--
R. Donald Fullerton	4 of 4	5 of 5	--	--	--
Martin J.G. Glynn	4 of 4	5 of 5	--	--	--
Terence C.Y. Hui	4 of 4	5 of 5	--	--	--
Brent D. Kinney	2 of 4	--	--	1 of 2	--
Holger Kluge	4 of 4	--	2 of 2	2 of 2	3 of 3
Poh Chan Koh	4 of 4	--	--	--	--
Eva L. Kwok	4 of 4	--	2 of 2	--	3 of 3
Stanley T.L. Kwok	4 of 4	--	--	2 of 2	--
John C.S. Lau	4 of 4	--	--	--	--
Wayne E. Shaw	4 of 4	5 of 5	--	--	3 of 3
William Shurniak	4 of 4	--	--	--	--
Frank J. Sixt	3 of 4	--	1 of 2	--	--

## Audit Committee

Information in respect of the composition of the Corporation's Audit Committee, the education and experience of each of the members of the Audit Committee, the Audit Committee's Charter, the Audit Committee's policies and procedures for the engagement of non-audit services and the fees paid by the Corporation for external auditor services in 2004 is set out under the heading "Audit Committee" in the Corporation's Annual Information Form dated March 16, 2005.

## Corporate Cease Trade Order or Bankruptcies

None of those persons who are proposed directors of the Corporation is, or has been within the past ten years, a director or officer of any company, including the Corporation, that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the company being subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Eva Kwok who was a director of Air Canada in 2003 at the time it became subject to creditor protection under the *Companies Creditors Arrangement Act* (Canada). In addition, Holger Kluge and Frank Sixt were directors of vLinx Inc., a private Canadian company until April 12, 2002, which was petitioned into bankruptcy on April 15, 2002. vLinx Inc. developed technology and software to facilitate international trade. Canning Fok acted as a non-executive director of Peregrine Investments Holdings Limited (an investment bank) which was put into compulsory liquidation in March 18, 1998.

### **Penalties or Sanctions**

None of the persons who are proposed directors of the Corporation have, within the past ten years made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

### **APPOINTMENT OF AUDITORS**

The persons named in the enclosed form of proxy intend to have nominated and to vote for the appointment of KPMG LLP, Chartered Accountants, of Calgary, Alberta (the "Auditors"), as auditors of the Corporation, to hold such office until the next annual meeting of the Corporation. The Auditors were first appointed as auditors of Husky Oil Limited, a predecessor company of the Corporation, in 1953 and became the auditors of the Corporation after completion of the Plan of Arrangement with Renaissance on August 25, 2000.

### **OTHER MATTERS TO BE ACTED UPON**

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, the accompanying proxy will be voted on such matters in the best judgment of the person or persons voting the proxy.

### **INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS**

None of the Corporation's directors, executive officers or companies that beneficially own directly or indirectly or exercise control or direction over, more than 10 percent of the Corporation's Common Shares, proposed nominees for election as directors of the Corporation or any of their respective associates or affiliates, has any material interest in any transaction with the Corporation since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or would materially affect the Corporation which has not been previously disclosed, except as follows.

Up to and effective July 13, 2004, the Corporation leased its head office space located in Western Canadian Place in Calgary, Alberta from Western Canadian Place Ltd., which is indirectly controlled by the Corporation's principal shareholders. The Corporation's President & Chief Executive Officer and Vice President & Chief Financial Officer are also directors and officers of Western Canadian Place Ltd. The Vice President, Corporate Administration of the Corporation's subsidiary, Husky Oil Operations Limited, is also a director and officer of Western Canadian Place Ltd. The Corporation entered into an amended and restated lease for a term ending August 31, 2013 with Western Canadian Place Ltd. on commercial terms consistent with those for leases of comparable space in Class A office buildings in Calgary. Effective July 13, 2004, Western Canadian Place Ltd. sold Western Canadian Place to an unrelated party.

The Corporation also entered into a management agreement with Western Canadian Place Ltd. for general management of Western Canadian Place. The Corporation was paid fees of \$383,327.69 in 2004 for providing such management services. This management agreement was terminated by the parties effective July 15, 2004.

The Corporation has also entered into a management agreement effective July 15, 2004 with Western Canadian Place Ltd. for general management of Western Canadian Place Ltd.'s leasehold

interest in office space at 635 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta. The Corporation was paid fees of \$55,836.43 in 2004 for providing such management services.

#### **INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON**

No director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting.

#### **ADDITIONAL INFORMATION**

Additional financial information is provided in the Corporation's comparative consolidated financial statements and management's discussion and analysis for the most recently completed fiscal year ended December 31, 2004, contained in the Corporation's Annual Report for the year ended December 31, 2004. The Corporation will provide to any person upon request a copy of the Corporation's current Annual Information Form, the Corporation's audited financial statements and related management's discussion and analysis contained in the Annual Report for the year ended December 31, 2004, together with the report of the auditors thereon, and one copy of any of the Corporation's interim financial statements subsequent to such audited financial statements and a copy of this Management Information Circular.

Any request for any of these documents should be made to the Corporate Secretary, Husky Energy Inc., 707 - 8th Avenue S.W., Calgary, Alberta, T2P 1H5 and/or fax (403) 298-7323 and in certain cases, the Corporation may require the payment of a reasonable charge for these documents. Information can also be obtained through the Corporation's website at [www.huskyenergy.ca](http://www.huskyenergy.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A

### HUSKY ENERGY INC.

#### TSX Corporate Governance Guidelines

A comparison of the Corporation's governance practices with the TSX corporate governance disclosure guidelines ("TSX Guidelines") is set out below. Throughout this Schedule, references to documents and information available on the Corporation's website can be found at [www.huskyenergy.ca](http://www.huskyenergy.ca).

<b>TSX Corporate Governance Guideline</b>	<b>Does Husky Align</b>	<b>Comments</b>
1. The board should explicitly assume responsibility for stewardship of the Corporation, and specifically for:	<b>Yes</b>	<p>The Board of Directors (the "Board") assumes responsibility for the stewardship of the Corporation, acting as a whole and through its Committees, and has adopted a formal Mandate setting forth the Board's stewardship responsibilities and other specific duties and responsibilities. The Mandate can be found on the Corporation's website as part of the general Terms of Reference for the Corporation.</p> <p>The Board's responsibilities are also governed by the <i>Business Corporation Act (Alberta)</i>, the Corporation's articles and by-laws, the Corporation's Code of Business Conduct, the Charter of each of the Board Committees, and other Corporate policies and applicable laws. Copies of the Code of Business Conduct and the Committee Charters can be found on the Corporation's website.</p> <p>The Corporation's Code of Business Conduct is applicable to all directors, officers and employees of the Corporation. Pursuant to this Code, among other things, Management is expected to manage the Corporation (and the Board is expected to oversee Management) in a manner that enhances shareholder value, consistent with the highest level of integrity and with the law. The Board, through the Audit Committee, monitors its compliance with the Code, and is responsible for granting compliance waivers to directors and officers. No such waivers were requested by or granted to any directors or officers in 2004.</p> <p>The Board met four times during 2004.</p>

TSX Corporate Governance Guideline	Does Husky Align	Comments
(a) Adoption of a strategic planning process.	Yes	<p>The Board's Mandate provides that the Board is to approve, monitor and provide guidance to the Corporation's strategic planning process. The Board annually reviews the Corporation's strategic plan. The Corporation's strategic plan addresses the opportunities, risks, financial projections and other key performance indicators for each of the major business segments of the Corporation in addition to an assessment of industry and economic conditions and how they may impact the Corporation and its strategic plan.</p> <p>The President &amp; Chief Executive Officer and senior management team of the Corporation have direct responsibility for the ongoing strategic planning process, the establishment of long term goals for the Corporation, and once the strategic plan has been approved by the Board, its implementation.</p> <p>At its meeting on November 18, 2004, the Board reviewed and approved the strategic plan of the Corporation as presented by Management. Management are required to obtain approval of the Board for any transaction that would have a significant impact on the strategic plan.</p>
(b) Identification of principal risks and implementing risk management systems.	Yes	<p>The Board's Mandate specifically includes identifying the principal risks of the Corporation's business and using reasonable steps to ensure the implementation of appropriate systems to establish and monitor those risks. The principal risks inherent in the Corporation's business include those related to the environment, prices for oil and natural gas, control of operating costs, the Canadian/U.S. dollar exchange rate and interest rates. The Board addresses specific risks and risk management in its review of the Corporation's annual audited financial statements. The Audit Committee reviews quarterly internal control reports with the internal auditors. The Health, Safety and Environment Committee reviews and recommends for approval to the Board updates to the Health, Safety and Environmental Policy prepared by Management, the development with Management of specific environmental objectives and targets and monitors compliance with the Corporation's environmental policies and achievement of environmental objectives and targets.</p>

TSX Corporate Governance Guideline	Does Husky Align	Comments
(c) Succession planning, including appointing, training and monitoring senior management.	Yes	<p>The Board's Mandate includes keeping in place adequate and effective succession plans for the President &amp; Chief Executive Officer and senior management. On the recommendation of the President &amp; Chief Executive Officer, the Board appoints the senior officers of the Corporation.</p> <p>The Compensation Committee receives periodic updates on the Corporation's succession plan at the senior officer level.</p>
(d) Communications Policy.	Yes	<p>The Corporation has a Communications Policy that addresses the accurate and timely communication of all important information relating to the Corporation and that addresses the Corporation's interaction with shareholders, investment analysts, other stakeholders and the public generally. This Policy includes measures to avoid selective disclosure of material information and includes guidance on trading by directors, officers and employees.</p> <p>The Board oversees the Corporation's Communications Policy with a view to providing effective communication by the Corporation, with the shareholders and the public generally, including effective means to enable shareholders to communicate with the Corporation.</p> <p>The Board, either directly or through the activities of the Audit Committee, reviews all quarterly and annual financial statements and related management discussion and analysis, the Corporation's oil and gas reserves reporting, earnings releases, management information circulars, annual information forms and financing documents.</p> <p>The Corporation has posted its Communications Policy, plus its public securities regulatory filings, its press releases and its investor presentations on the Corporation's website.</p>

TSX Corporate Governance Guideline	Does Husky Align	Comments
(e) Integrity of internal control and management information systems.	Yes	The Board requires Management to maintain effective internal controls and information systems. The Board, with the assistance of the Audit Committee, oversees the integrity of the Corporation's internal control and information systems. The Audit Committee meets no less than four times a year with the Corporation's internal auditor to review the Corporation's internal controls over financial reporting and related information systems. In addition, for each quarterly reporting period, the Corporation's Controller provides confirmation to the Audit Committee as to whether the compilation of the Corporation's financial disclosure was done using the same information systems used for the prior reporting period and as to whether there are any known material weaknesses in such information systems. The Corporation's external auditors report to the Audit Committee on an annual basis on the Corporation's internal controls and information systems.
2. Majority of directors should be "unrelated".	Yes	<p>The Corporation currently has 14 directors, eight of whom are "unrelated" to the Corporation as that term is used in the TSX Guidelines. The Board recognizes the current trend towards having a majority of "unrelated" directors, but also acknowledges that the Corporation has two significant shareholders.</p> <p>Under the TSX Guidelines an "unrelated director" is one who is independent of Management and is free from any interest in any business or other relationship that could, or could reasonably be perceived to, materially interfere with the directors' ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding. A "related" director is one who is not an "unrelated" director.</p>
3. Disclose for each director whether he or she is related or unrelated, and how that conclusion was reached.	Yes	The Board, with the assistance of the Corporate Governance Committee and counsel to the Corporation, is responsible for determining whether or not each director is an "unrelated director". To carry out this determination, all relationships with the Corporation, its subsidiaries and affiliates are reviewed. To assist the Board in its determination, all directors complete a detailed questionnaire which includes disclosure of any material interest and business relationships with the Corporation, its subsidiaries and affiliates, and his or her shareholdings in the Corporation.

TSX Corporate Governance Guideline	Does Husky Align	Comments
4. Appoint a committee responsible for the appointment and assessment of directors composed exclusively of outside directors (i.e. non-management directors), the majority of whom are unrelated.	Yes	<p>The Board has determined the “unrelated” directors of the Corporation are R.D. Fullerton, M.J.G. Glynn, T.C.Y. Hui, B.D. Kinney, H. Kluge, E.L. Kwok, S.T.L. Kwok and W.E. Shaw. None of the “unrelated” directors work in the day-to-day operations of the Corporation or any of its subsidiaries, is a party to any material contract with the Corporation or any of its subsidiaries or receives any fees from the Corporation or its subsidiaries, other than directors’ fees and expenses.</p> <p>The “related” directors are considered to be so because of the offices they hold with the Corporation or the business relationship they have with the Corporation or its significant shareholders.</p> <p>More information about each director, including other directorships, can be found on pages 15 to 18 and on page 20 of this Management Information Circular.</p>
5. Implement a process for assessing effectiveness of the Board as a whole, its Committees and the contribution of individual directors.	Yes	<p>The Board has constituted a Corporate Governance Committee which is responsible for periodically reviewing the composition and the criteria regarding the composition of the Board and its Committees. New nominees to the Board are proposed by the Corporate Governance Committee to the Co-Chairs and, thereafter, for presentation to the full Board for approval.</p> <p>All of the members of the Corporate Governance Committee are non-management and are unrelated directors.</p> <p>The process of assessing Board effectiveness currently is carried on through an informal process of engagement and dialogue between the Co-Chairs and directors. The Board has determined that it would be prudent to add a measure of additional formality to the process going forward by, inter-alia, introducing periodic written survey materials which will be completed by all directors, discussed with the Co-Chairs and lodged for the record with the Corporate Secretary. The practice will be introduced in 2005.</p>
6. Provide orientation and education programs for new directors.	Yes	<p>New directors are provided with substantial reference material pertaining to the Corporation, its strategic focus, financial and operating history, corporate governance practices and corporate vision.</p>

TSX Corporate Governance Guideline	Does Husky Align	Comments
7. Examine size of board to determine whether the number of directors facilitates effective decision making.	Yes	<p>All directors receive a Board Handbook containing, among other things, articles and by-laws of the Corporation, an organization chart of the Corporation and its subsidiaries, corporate fact sheets, strategic plan, list of Committees and Committee Charters and various corporate policies.</p> <p>Information sessions for all directors are held from time to time during the year on topics relating to significant aspects of the Corporation's business and operations, including the legal, regulatory and industry requirements and environment in which the Corporation operates.</p> <p>The Board is of the opinion that its size and composition provides for effective decision making for a senior integrated energy and energy related company with two significant shareholders. The Board has no current intention to reduce, enlarge or otherwise alter the composition of the Board.</p>
8. Review the adequacy and form of compensation of directors and ensure the compensation realistically reflects the risks and responsibilities involved in being an effective director.	Yes	<p>The Corporate Governance Committee reviews annually the compensation paid to directors. In assessing compensation the Committee reviews external surveys and other third party information pertaining to compensation paid by the Corporation's industry peers to their directors. The Committee strives to set the cash compensation paid to the Corporation's directors at the median of that paid by other senior integrated oil and gas companies. See page 11 of the Management Information Circular for information on the cash compensation received by the directors in 2004.</p> <p>The directors receive an annual retainer and attendance fees as compensation for their activities as directors of the Corporation and are entitled to reimbursement for out-of-pocket expenses for attendance at meetings of the Board and any Committees of the Board. The Chairs of each Committee of the Board also receive an additional annual retainer. The directors, other than the President &amp; Chief Executive Officer of the Corporation, do not participate in the Corporation's Stock Option Plan.</p>

TSX Corporate Governance Guideline	Does Husky Align	Comments
9. Committees should generally be composed of non-management directors, a majority of whom are unrelated.	Yes	<p>The Board has delegated certain of its responsibilities to four committees, each of which has specific roles and responsibilities as defined by the Board. All Board Committees are made up solely of non-management directors, a majority of whom are unrelated directors. The Audit Committee is comprised of four unrelated directors. The Compensation Committee is comprised of two unrelated and two related directors. The Health, Safety and Environment Committee is comprised of three unrelated directors. The Corporate Governance Committee is comprised of three unrelated directors. Mandates for each Committee can be found on the Corporation's website.</p> <p><i>Audit Committee</i></p> <p>The members of the Audit Committee are R.D. Fullerton (Chair), M.J.G. Glynn, T.C.Y. Hui and W.E. Shaw. The Audit Committee met five times in 2004.</p> <p><i>Compensation Committee</i></p> <p>The members of the Compensation Committee are C.K.N. Fok (Chair), H. Kluge, E.L. Kwok and F.J. Sixt. The Compensation Committee met twice in 2004.</p> <p><i>Health, Safety and Environment Committee</i></p> <p>The members of the Health, Safety and Environment Committee are H. Kluge (Chair), B.D. Kinney, and S.T.L. Kwok. The Health, Safety and Environment Committee met twice in 2004.</p> <p><i>Corporate Governance Committee</i></p> <p>The members of the Corporate Governance Committee are H. Kluge (Chair), E.L. Kwok and W.E. Shaw. The Corporate Governance Committee met three times in 2004.</p>

TSX Corporate Governance Guideline	Does Husky Align	Comments
10. Appoint a committee responsible for the Corporation's approach to corporate governance issues.	Yes	The Corporation has appointed a Corporate Governance Committee which is responsible for developing the Corporation's approach to governance issues, reviewing the Corporation's overall governance principles, recommending changes to those principles from time to time, and recommending to the Board for approval the statement of corporate governance practices included in the Corporation's Management Information Circular. The Corporate Governance Committee continues to assess all aspects of the Corporation's governance structure and procedures in the context of the new rules in Canada and the United States that have become, or will become, applicable to the Corporation.
11. (a) The Board, together with the Chief Executive Officer, should develop position descriptions for the Board and Chief Executive Officer, involving definition of the limits to Management's responsibility.	Yes	<p>The Board has adopted Terms of Reference which, among other things, sets forth position descriptions for the Board and the President &amp; Chief Executive Officer.</p> <p>Certain matters remain the sole responsibility of the Board.</p> <p>The Board appoints the President &amp; Chief Executive Officer of the Corporation, who is a member of the Board. The Board has delegated to the President &amp; Chief Executive Officer the authority to manage and supervise the business of the Corporation, including the making of all decisions regarding the Corporation's operations that are not specifically reserved to the Board under the Terms of Reference.</p> <p>The Board has also approved limits to the expenditure authority of the President &amp; Chief Executive Officer.</p>
(b) Board should approve or develop the corporate objectives which the Chief Executive Officer is responsible for meeting.	Yes	The President & Chief Executive Officer is responsible for meeting the annual corporate objectives of the Corporation which are consistent with the Corporation's overall strategic plan and budgets. A strategic plan and budgets are prepared by senior Management on at least an annual basis and are submitted to the Board for approval. The Board, through the Compensation Committee, measures the performance of the President & Chief Executive Officer and senior Management, in part, by the degree to which they are successful in achieving the objectives set out in the strategic plan and budgets.

TSX Corporate Governance Guideline	Does Husky Align	Comments
12. Establish structures and procedures to enable the Board to function independently of Management.	Yes	<p>The Board has appointed Co-Chairs of the Board, each of whom is independent of Management. The principal responsibilities of the Co-Chairs are to enhance Board effectiveness and efficiency, independent of Management, to manage generally the Board and the Board processes, and to administer the Board's relationship with the President &amp; Chief Executive Officer and other senior officers.</p> <p>Other than telephone conference Board meetings, at all other regular Board meetings during the year, a portion of each such meeting is to be held without Management present.</p> <p>In regard to their responsibilities, the Co-Chairs communicate regularly with Board members, provide feedback to the President &amp; Chief Executive Officer on behalf of the Board and/or individual directors, work with the President &amp; Chief Executive Officer and the Corporate Secretary in setting Board meeting schedules and agendas and ensure the Board receives full, timely and relevant information to support the Board's decision-making obligations. The Co-Chairs also encourage effective communication and relationships between the Corporation, shareholders, other stakeholders and the general public.</p>
13. (a) Ensure an Audit Committee has a specifically defined mandate setting out its roles and responsibilities, has direct communication channels with internal and external auditors and has oversight responsibility for Management reporting and internal control.	Yes	<p>The Board has adopted an Audit Committee Charter which specifically defines the roles and responsibilities of the Audit Committee. The Audit Committee Charter is reviewed annually. The Audit Committee Charter can be found on the Corporation's website.</p> <p>The Audit Committee has direct communication channels with the external and internal auditors, and discusses and reviews issues with each of them on a regular basis.</p> <p>The Audit Committee oversees Management's design and implementation of an effective system of internal control.</p> <p>The external auditors are hired by and report directly to the Audit Committee. After consultation with Management, the Audit Committee is responsible for setting the external auditor's compensation. The external auditors attend each meeting of the Audit Committee, with a portion of each meeting held without the presence of Management. The Audit Committee reviews and approves annually the external auditor's Audit Plan, and must approve any non-audit work by the external auditors.</p>

TSX Corporate Governance Guideline	Does Husky Align	Comments
(b) All members of the Audit Committee should be non-management directors.	Yes	<p>The internal auditors attend each meeting of the Audit Committee, with a portion of each meeting held without the presence of Management. The Audit Committee reviews and approves annually the Internal Audit Plan.</p> <p>The Audit Committee is responsible for reviewing the Corporation's procedures relating to the disclosure of information relating to oil and gas reserves, and other related matters. In this regard, the Committee meets at least annually with internal and external reserves evaluators.</p> <p>All members of the Audit Committee are non-management and unrelated directors.</p> <p>All members of the Audit Committee are financially literate (are able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements).</p>
14. Implement a system to enable individual directors to engage outside advisors, at the Corporation's expense, in appropriate circumstances.	Yes	<p>The Board is supportive of individual directors and Committee Chairs engaging an independent advisor at the expense of the Corporation in appropriate circumstances. Any engagement of an independent advisor is subject to the approval of one of the Co-Chairs.</p> <p>The Audit Committee has retained an independent reserves engineer to assist it in the review of the Corporation's procedures relating to the disclosure of information relating to oil and gas reserves and other related matters.</p>