

**Husky Energy Inc.**

**Annual Information Form**

**For the Year Ended December 31, 2008**

**February 18, 2009**

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In this Annual Information Form the term “Husky,” “we,” “our,” “us,” and “the Company,” means Husky Energy Inc. and its subsidiaries and partnership interests on a consolidated basis including information with respect to predecessor corporations.

Unless otherwise indicated, all financial information is in accordance with accounting principles generally accepted in Canada. Unless otherwise indicated, gross reserves or gross production are reserves or production attributable to Husky's interest prior to deduction of royalties; net reserves or net production are reserves or production net of such royalties. Gross or net production reported refers to sales volume, unless otherwise indicated. Natural gas volumes are converted to a boe basis using the ratio of six mcf of natural gas to one bbl of oil and natural gas liquids. Unless otherwise indicated, oil and gas commodity prices are quoted after the effect of hedging gains and losses. Natural gas volumes are stated at the official temperature and pressure basis of the area in which the reserves are located. The calculation of barrels of oil equivalent (boe) and thousands of cubic feet equivalent (mcfge) are based on a conversion rate of six thousand cubic feet to one barrel of oil.

*Boe or mcfge may be misleading, particularly if used in isolation. A boe conversion ratio of six mcf to one bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

**This Annual Information Form contains “forward-looking information and statements” within the meaning of applicable securities laws. For a full discussion of the forward-looking information and statements and the risks to which they are subject, see**

**the "Special Note Regarding Forward-Looking Statements" in this Annual Information Form.**

**EXCHANGE RATE INFORMATION**

Except where otherwise indicated, all dollar amounts stated in this Annual Information Form ("AIF") are Canadian dollars. The following table discloses various indicators of the Canadian/United States rate of exchange or the cost of a U.S. dollar in Canadian currency for the three years indicated.

	<b>Year ended December 31</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Year end</b> .....	1.224	0.988	1.165
<b>Low</b> .....	0.972	0.917	1.095
<b>High</b> .....	1.297	1.185	1.179
<b>Average</b> .....	1.066	1.074	1.134

Notes:

- (1) The exchange rates were as quoted by the Federal Reserve Bank of New York for the noon buying rate.
- (2) The high, low and average rates were either quoted or calculated as of the last day of the relevant month.

**DISCLOSURE OF EXEMPTION UNDER NATIONAL INSTRUMENT 51-101**

Husky believes that comparability of its disclosures with those required in its major capital market, the United States, is important to many of the investors and prospective investors in its securities. Accordingly, the Company applied for and was granted an exemption by the Canadian securities regulators under the provisions of National Instrument 51-101 "Standards of Disclosures for Oil and Gas Activities" ("NI 51-101"). The exemption permits Husky to substitute disclosures required by and consistent with those of the Securities and Exchange Commission of the United States ("SEC") and the Financial Accounting Standards Board in the United States ("FASB") in place of much of the disclosure required by NI 51-101. In accordance with the exemption, proved oil and gas reserves data and certain other disclosures with respect to Husky's oil and gas activities in this Annual Information Form are presented in accordance with the following requirements:

- The FASB Statement No. 69 "Disclosure about Oil and Gas Producing Activities — an amendment of FASB Statements No.'s 19, 25, 33 and 39" ("FAS 69");
- FASB Current Text Section OI5, "Oil and Gas Producing Activities" paragraphs .103, .106, .107, .108, .112, 160 through .167, .174 through .184 and .401 through .408;
- SEC Industry Guide 2;
- SEC Item 102 of regulation S-K (17 CFR 229.102);
- SEC Item 302(b) of Regulation S-K (17 CFR 229.302(b)); and
- The definitions and disclosures required by SEC Regulation S-X (CFR 210.4-10).

Proved oil and gas reserves information and other disclosures about oil and gas activities in this Annual Information Form following SEC requirements may differ from corresponding information otherwise required by NI 51-101. Proved reserves disclosed in this Annual Information Form are in accordance with the SEC definitions.

NI 51-101 specifies that proved reserves be determined in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH") definitions. There were no material differences between the oil and gas reserves determined using the SEC definitions and the COGEH definitions. In addition, NI 51-101 requires the inclusion of probable reserves and their associated future net revenue. The SEC does not normally permit the disclosure of probable reserves in documents filed with them.

The SEC requires the evaluation of oil and gas reserves to be based on prices, costs, fiscal regimes and other economic and operating conditions in effect at the time the evaluation is made ("constant prices"). NI 51-101 allows the evaluation of oil and gas reserves on this basis as supplemental disclosure but requires an evaluation of oil and gas reserves to be based on a forecast of economic conditions. In establishing the constant prices for bitumen NI 51-101 provides for a different interpretation of the phrase "price will be the posted price of oil and the spot price of gas, after historical adjustments for transportation, gravity and other factors." On January 20, 2005 the Canadian Securities Administrators issued Staff Notice 51-315 Guidance Regarding the Determination of

Constant Prices for Bitumen Reserves under National Instrument 51-101 “*Standards of Disclosure for Oil and Gas Activities.*” Bitumen is very heavy crude oil that is 10 degrees API and lower. This guidance stipulates that for establishing the constant prices for bitumen companies should use the posted price for WTI and apply the average annual adjustment for transportation, gravity and other factors that create the difference in price between WTI and bitumen. This method was developed primarily in response to the fluctuations in bitumen prices that, for various reasons, tend to experience the lowest prices at the end of the calendar year. Under the FASB/SEC rules the determination of constant price for bitumen does not permit the use of annual average differentials between WTI and bitumen. These rules require the differentials prevailing on the last day of the period to be used to calculate the constant price. There is no difference in determining the constant prices for crude oil classified as heavy oil, lighter than 10 degrees API under NI 51-101 and FASB/SEC although heavy oil, which we classify as crude oil between 10 degrees and 20 degrees API, tends to behave in a similar manner as bitumen.

Husky believes that its reserves evaluators are qualified and that it has a well established reserves evaluation process that is at least as rigorous as would be the case were we to rely upon independent reserves evaluators. Husky has adopted written evaluation practices and procedures using the COGEH modified to the extent necessary to reflect the definitions and standards under SEC disclosure requirements. In addition, Husky engaged a firm of independent qualified reserves evaluators to conduct an audit of the reserves estimates and respective present worth value of the reserves as at December 31, 2008. They conducted their audit in accordance with the standards described in the COGEH and the auditing standards generally accepted in the United States.

The Audit Committee of the Board of Directors has reviewed the Company’s procedures for providing information to the internal and external qualified oil and gas reserves evaluators; met with the internal and external qualified oil and gas reserves evaluators to determine whether any restrictions placed by management affect the ability of the qualified oil and gas reserves evaluator to report without reservation; and reviewed the reserves data with management and the internal qualified reserves evaluator. To assist the Audit Committee in its review, an external consultant was engaged to provide an assessment and recommendation in respect of the oil and gas reserves evaluation and reporting process.

NI 51-101 prescribes a relatively comprehensive set of disclosures in respect of oil and gas reserves and other disclosures about oil and gas activities. In comparison, the SEC prescribes a minimum set of disclosures and advises reporting companies not to approach the SEC rules and regulations as merely a blank form but encourages them to provide such additional information that is necessary to further an investor’s understanding of their business.

In either jurisdiction, information to further an investor’s understanding is specifically encouraged to be included in the Company’s Management’s Discussion and Analysis (“MD&A”). The MD&A is intended to be a narrative explanation describing the Company, both its history and prospects, as perceived by management. The readers of the AIF are encouraged to also read the Company’s MD&A, which is filed, in accordance with the requirements of the Canadian Securities Administrators, on the System for Electronic Data Analysis and Retrieval (“SEDAR”). Documents filed on SEDAR may be accessed online at [www.sedar.com](http://www.sedar.com). This AIF together with the MD&A and the Company’s Audited Consolidated Financial Statements are included in Husky’s Form 40-F which is filed with SEC’s Electronic Data Gathering Analysis and Retrieval (“EDGAR”) system, which may be accessed online at [www.sec.gov](http://www.sec.gov).

## **CORPORATE STRUCTURE**

### **Husky Energy Inc.**

Husky Energy Inc. (“Husky Energy”) was incorporated under the *Business Corporations Act* (Alberta) on June 21, 2000.

Husky Energy has its registered office and its head and principal office at 707 — 8th Avenue S.W., P.O. Box 6525, Station D, Calgary, Alberta, T2P 3G7.

## Intercorporate Relationships

The principal subsidiaries of Husky and place of incorporation, continuance or place of organization, as the case may be, are as follows. All of the following companies, except as otherwise indicated, are 100% beneficially owned or controlled or directed, directly or indirectly.

Name	Jurisdiction
<b>Subsidiaries of Husky Energy Inc.</b>	
Husky Oil Operations Limited .....	Nova Scotia
<b>Subsidiaries of Husky Oil Operations Limited</b>	
Husky Oil Limited .....	Nova Scotia
Husky Energy Marketing Inc. ....	Alberta
Husky (U.S.A.) Inc. ....	Delaware
Husky Refining Company .....	Delaware
HOI Resources Co. ....	Nova Scotia
Canterra Resources Canada Ltd. (formerly 147212 Canada Ltd.) .....	Canada
Sunrise Oil Sands Partnership (50%).....	Alberta
BP Husky Refining LLC (50%) .....	Delaware
<b>Subsidiaries of Husky (U.S.A.) Inc.</b>	
Husky Gas Marketing Inc. ....	Delaware
<b>Subsidiaries of Husky Refining Company</b>	
Lima Refining Company.....	Delaware
Husky Marketing and Supply Company .....	Delaware
<b>Subsidiaries of HOI Resources Co.</b>	
Husky Energy International Corporation .....	British Columbia
<b>Subsidiaries of Husky Energy International Corporation</b>	
Husky Oil China Ltd. ....	Alberta
Husky Oil (Madura) Ltd. (50%) .....	British Virgin Islands
Husky Oil Overseas Ltd. ....	Alberta

## GENERAL DEVELOPMENT OF HUSKY

### Three Year History of Husky

#### 2006

In January 2006, Husky acquired two Exploration Licences (“EL”) in the Jeanne d’Arc Basin of the Grand Banks Region offshore Newfoundland and Labrador. Husky holds a 100% working interest in the 33,320 acre EL1094 and the 5,260 acre EL 1096. Husky has committed to spend a total of \$37 million evaluating the prospects of these ELs.

On February 1, 2006, Husky redeemed its 8.45% senior secured bonds for U.S. \$85 million.

In April 2006, Husky acquired 23,680 acres of oil sands leases adjacent to its Saleski oil sands property. The cost was \$10 million and increased Husky’s holdings in the Saleski area to 178,560 acres.

In June 2006, Husky completed a farm-in agreement with Norsk Hydro to earn additional interests in two Significant Discovery Licences (“SDLs”) in the Jeanne d’Arc Basin. Under the terms of the agreement Husky drilled a delineation well on West Bonne Bay, SDL 1040, to earn a 25% working interest and an additional 7.5% working interest in North Ben Nevis, SDL 1008.

In July 2006, Husky acquired 14,560 acres of oil sands leases adjacent to its Saleski oil sands property. The cost was \$6.6 million and increased Husky’s holdings in the Saleski area to 193,120 acres.

The second phase of modifications to produce low sulphur diesel fuel at the Prince George refinery was completed during the second quarter of 2006. The refinery’s design rate capacity was increased to 12 mbbbls/day as a result of this two phase modification.

In August 2006, Husky acquired 19,200 acres of oil sands leases adjacent to its Saleski oil sands property. The cost was \$7.9 million and increased Husky's holdings in the Saleski area to 212,320 acres.

In August 2006, Husky acquired three exploration blocks in the South China Sea totalling 4,168,915 acres. Block 29/06 covers 2,289,431 acres in the Pearl River Mouth Basin in 500 to 1500 metres of water, block 35/18 covers 1,104,314 acres in the Yinggehai Basin in less than 120 metres of water and block 50/14 covers 775,170 acres in the Yinggehai Basin in less than 120 metres of water.

In September 2006, Husky commissioned its Lloydminster ethanol plant, which is located adjacent to Husky's heavy oil upgrader on the Saskatchewan side of Lloydminster and has a design capacity to produce 130 million litres of ethanol per year.

In September 2006, Husky filed a base shelf prospectus that permits issue of up to U.S. \$1 billion of debt securities or the equivalent in other currencies during the 25 months that the prospectus is in effect.

In September 2006, Husky acquired 26,880 acres of oil sands leases adjacent to its Saleski oil sands property. The cost was \$13.7 million and increased Husky's holdings in the Saleski area to 239,200 acres.

In September 2006, Husky acquired an exploration block in the North East Java Basin offshore Indonesia totalling 1.2 million acres. This increased Husky's total holding in Indonesia to approximately 1.8 million acres.

In October 2006, Husky commissioned its Tucker oil sands project located 30 kilometres north-west of Cold Lake Alberta. The project employs a steam assisted gravity drainage ("SAGD") recovery system with a plant that has a design rate capacity of 30 mbbls/day.

## 2007

On January 15, 2007, Husky acquired an interest in three ELs in the Jeanne d'Arc Basin offshore Newfoundland and Labrador. Husky acquired a 100% interest in EL 1099 covering 61,376 acres, a 50% interest in EL 1100 covering 75,545 acres and a 50% interest in EL 1101 covering 51,914 acres. Husky has committed to spend \$23.5 million on these EL areas during the five year period commencing in 2007.

In January 2007, Husky signed a three-year contract with Seadrill Offshore AS for the deep water semi-submersible drilling rig, *West Hercules*. The rig, which was constructed in Korea, was delivered to Husky's offshore properties in the South China Sea in late 2008. The rig commenced drilling operations in November 2008 and is scheduled to drill several delineation wells at the Liwan natural gas discovery and a number of stratigraphic test wells on Husky's exploration blocks.

On June 19, 2007, Husky announced it had been awarded two exploration and exploitation licences by the governments of Greenland and Denmark. The licences are for Block 5 with an area of 10,138 square kilometres and Block 7 with an area of 10,929 square kilometres. These blocks are located in an offshore area west of Disko Island in West Greenland. Husky holds an 87.5% interest. Both of these licences expire on May 31, 2017.

Effective July 1, 2007, Husky acquired all of the issued and outstanding shares of the Lima Refining Company from The Premcor Refinery Group Inc., a wholly owned subsidiary of Valero Energy Corporation. The purchase price was U.S. \$1.9 billion plus U.S. \$540 million for feedstock and product inventory. The 160 mbbls/day refinery is located at Lima, Ohio.

On September 6, 2007, Husky announced the issuance of U.S. \$300 million of 6.2% 10 year notes due September 15, 2017 and U.S. \$450 million of 6.8% 30 year notes due September 15, 2037. These notes rank equally with our other unsecured debt. The net proceeds from the notes were used to partially repay a U.S. \$1.5 billion short-term bridge financing arranged to acquire the Lima Refinery.

On October 11, 2007, Husky was awarded an additional exploration and exploitation licence by the governments of Greenland and Denmark. The licence is for Block 6 with an area of 13,213 square kilometres. Block 6 is located in an offshore area west of Disko Island in West Greenland. Husky holds a 43.75% interest. This licence will expire on May 31, 2017.

On October 30, 2007, Husky completed Gas Sales Agreements between Husky Oil (Madura) Ltd. and PT Inti Parna Raya, PT Inti Alasindo Energy and PT Perusahaan Gas Negara (Persero) Tbk ("PNG") for the sale of natural gas from the Madura BD natural gas and natural gas liquids field offshore Java, Indonesia. The BD field is expected to be developed after receipt of an extension to the production sharing contract.

On December 4, 2007, Husky completed construction of the Minnedosa ethanol plant. The plant is located at Minnedosa, Manitoba and has the capacity to produce 130 million litres of ethanol for blending with gasoline.

On December 5, 2007, Husky announced an agreement with BP Corporation North America Inc. (“BP”) to create an integrated North American oil sands business. The business consists of a 50/50 partnership to develop the Sunrise oil sands project contributed and operated by Husky and a 50/50 limited liability company for the Toledo Refinery contributed and operated by BP. The transaction closed at the end of the first quarter of 2008 with an effective date of January 1, 2008.

On December 17, 2007, a framework agreement between the Province of Newfoundland and Labrador and Husky and its partner was signed for the development of North Amethyst, West White Rose and the South White Rose Extension. Under the terms of the agreement, a crown corporation of Newfoundland and Labrador acquired a 5% equity interest in the White Rose expansion oil fields in January 2009.

## **2008**

On January 18, 2008, Husky announced that it had secured the Transocean owned semi-submersible drilling rig, *GSF Grand Banks*, for continuing operations in the White Rose area and for continued delineation drilling offshore Newfoundland and Labrador. The three year agreement also includes an option for two additional one year extensions.

On March 11, 2008, Husky announced an agreement with Petro-Canada and StatoilHydro to secure the semi-submersible drilling rig, *Henry Goodrich*, for a period of 24 to 30 months. Husky will use the rig on its operated properties offshore Newfoundland and Labrador for 17 months.

On March 31, 2008, Husky announced that all necessary government and regulatory approvals had been received and the arrangements for the formation of an integrated oil sands/refining joint venture with BP had been completed. The effective date of the transaction was January 1, 2008.

On April 2, 2008, Husky announced that it had received approval from the federal and provincial governments and regulators to proceed with the development of the North Amethyst oil field, a satellite of the South Avalon White Rose producing oil field.

On April 17, 2008, Husky announced that it had reached agreement with China National Offshore Oil Corporation (“CNOOC”) to jointly develop the Madura BD natural gas and natural gas liquids field offshore the East Java Sea, Indonesia. The agreement covers the development and further exploration of the Madura Strait Production Sharing Contract. CNOOC paid U.S. \$125 million to acquire 50% equity interest in Husky Oil (Madura) Ltd., which holds the Madura Strait Production Sharing Contract.

On June 5, 2008, Husky repaid the remaining U.S. \$750 million short-term bridge facility arranged in 2007 to acquire the Lima Refinery.

On June 12, 2008, Husky announced a cash tender offer to purchase any and all of its outstanding 8.90% Capital Securities. The offer was for payment of U.S. \$1,010 per U.S. \$1,000 principal amount plus accrued and unpaid interest. On July 11, 2008, 95% of the 8.90% Capital Securities had been validly tendered and accepted for payment. The Company subsequently redeemed all remaining 8.90% Capital Securities.

On June 25, 2008, Husky announced that it had signed a contract with CNOOC for an exploration block in the South China Sea. The 63/05 block covers approximately 1,777 square kilometres and is located in the Qiongdongnan Basin approximately 100 kilometres south of Hainan Island, in less than 120 metres of water.

On August 29, 2008, Husky redeemed the 6.95% medium-term notes Series E at a redemption price of \$208 million including accrued interest.

On September 11, 2008, Husky announced that it had acquired two parcels (blocks 1 and 3) offshore Labrador, on the Labrador Shelf. Parcel NL07-2-1, block 1, covers approximately 2,370 square kilometres and Parcel NL07-2-3, block 3, covers approximately 2,337 square kilometres.

During 2008, Husky repurchased a total of U.S. \$63 million of the outstanding U.S. \$450 million 6.80% notes due September 2037.

## **Business Environment Trends**

There are a number of trends that are developing, which may have both long and short-term effects on the oil and gas industry in Canada. Conventional production of crude oil in the Western Canada Sedimentary Basin (“WCSB”) has been in decline since 2000 and will, according to industry forecasts <sup>(1)</sup>, continue to decline. Since 2000, increased crude oil production from the WCSB has come from mining and in-situ production of bitumen and heavy crude oils. An increase in overall crude oil production from the WCSB beyond current production levels is forecast <sup>(1)</sup> to be non-conventional production. Natural gas exploration efforts are focused on the traditionally less

accessible areas in the overthrust belt along the eastern slope of the Rocky Mountains, in the Northwest Territories, offshore the East Coast of Canada and smaller shallow gas deposits and coal bed methane in the WCSB.

The trend of volatile commodity prices is expected to continue. Natural gas prices are sensitive to regional supply/demand imbalances, regional industrial activity levels, weather patterns and access to cheaper sources of energy. As a result of numerous supply disruptions and increased demand from emerging economies oil prices reached historic highs in 2008. Notwithstanding supply disruptions or major policy changes in respect of greenhouse gas emissions, recent forecasts by the Energy Information Administration (“EIA”) in the United States indicates the possibility of crude oil production capacity increasing significantly over the next two decades, particularly conventional production from Brazil, Azerbaijan, Kazakhstan and world wide non-conventional production including Canada’s oil sands. Although crude oil prices declined significantly in the fourth quarter of 2008 in response to the economic downturn, the EIA’s reference case forecast includes higher crude oil prices through the forecast period beginning in 2010.

The EIA short-term energy outlook was published on January 13, 2009 and provides the following insights to the near-term energy environment. World energy demand is expected to decrease in 2009, rebound marginally in 2010 and then continue to respond to an expected global economic recovery. Oil consumption growth is expected to be concentrated in countries outside the Organization for Economic Cooperation and Development, particularly China, the Middle East and Latin America. The global economic slowdown and declining oil prices provides additional uncertainties to forecasting non-Organization of Petroleum Exporting Countries (“OPEC”) supply, such as project delays and higher than anticipated decline rates. Low crude oil prices may result in uneconomic projects and an inability to access capital <sup>(2)</sup>.

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Note:

- (1) “Canadian Crude Oil Production and Supply forecast,” July 2004, Canadian Association of Petroleum Producers “Oil Sands Technology Roadmap,” January 30, 2004, Alberta Chamber of Resources.
- (2) “Short-Term Energy Outlook,” January 13, 2009, Energy Information Administration U.S. Department of Energy.

## **DESCRIPTION OF HUSKY’S BUSINESS**

### **General**

Husky is a publicly held integrated international energy and energy related company headquartered in Calgary, Alberta.

Husky’s business is conducted predominantly in three major business sectors - upstream, midstream and downstream.

Upstream includes exploration for, development and production of crude oil, natural gas and natural gas liquids. The Company’s upstream operations and key prospects are located in Western Canada, offshore Eastern Canada, offshore China, Indonesia and Greenland (Upstream business segment).

Midstream includes upgrading of heavy crude oil feedstock into synthetic crude oil (upgrading); marketing of the Company’s and other producers’ crude oil, natural gas, natural gas liquids, sulphur and petroleum coke; pipeline transportation, processing of heavy crude oil, storage of crude oil, diluent and natural gas, and cogeneration of electrical and thermal energy (infrastructure and marketing).

Downstream includes refining of light and heavy crude oil, production of ethanol, and marketing of refined petroleum products including gasoline, diesel, jet fuel, blending stocks, ethanol blended fuels, asphalt and the marketing of a wide variety of merchandise through convenience stores at our retail outlet locations. The downstream sector includes the Canadian refined products business segment and the U.S. refining and marketing business segment.

### **Social and Environmental Policy**

Husky approaches social responsibility and sustainable development by seeking a balance among economic, operational reliability, health, safety, environmental and social issues while maintaining growth. Husky strives to find solutions to these issues that do not compromise the needs of future generations. In 2008, Husky implemented the Husky Operational Integrity Management System (HOIMS). HOIMS is to be followed by all Husky businesses, with particular emphasis on projects and operations, and manages operational integrity through the life cycle of the assets. HOIMS includes 14 fundamental elements; each element contains well defined aims and expectations that guide Husky to continuously improve operational integrity performance. The aims outline the

overall intent behind each element and expectations outline the individual activities that are undertaken to support the aims. HOIMS guides Husky employees in effectively managing the risks associated with Husky's business and creating a safe and secure place to work. Resources will be applied and dedicated to the implementation of HOIMS, and progress will be monitored at all levels of the Company. Periodic reviews and audits will be conducted to ensure that HOIMS is effectively integrated into daily operations and to continuously improve performance.

Aims:

1. Ensure all levels of management demonstrate leadership and commitment to operational integrity. Define and ensure appropriate accountability for HOIMS throughout the organization.
2. Prevent incidents by identifying and minimizing workplace and personal health risks. Promote and reinforce all safe behaviours.
3. Manage risks by performing comprehensive risk assessments to provide essential decision-making information. Develop and implement plans to manage significant risks and impacts to as low as reasonably practical levels.
4. Be prepared for an emergency or security threat, identify all necessary actions to be taken to protect people, the environment, the organization's assets and reputation in the event of an emergency or security threat.
5. Maintain operations reliability and integrity by use of clearly defined and documented operational, maintenance, inspection and corrosion programs. Seek improvements in process and equipment dependability by systematically eliminating defects and sources of loss.
6. Provide assurance that personnel possess the necessary competencies, knowledge, abilities and demonstrate behaviours to perform their tasks and designated responsibilities effectively, efficiently and safely.
7. Report and investigate all incidents. Learn from incidents and use the information to take corrective action and prevent recurrence.
8. Operate responsibly to minimize the environmental impact of how we conduct our business. Leave a positive legacy behind us when operations cease.
9. Ensure that risks and exposures from proposed changes are identified, evaluated and managed to remain at an acceptable level.
10. Identify, maintain and safeguard important information. Ensure personnel can readily access and retrieve information. Promote and encourage constructive dialogue within the organization to share industry recommended practices and acquired knowledge.
11. Ensure conformance with corporate policies and compliance with all relevant government regulations. Work constructively to influence proposed laws and regulations, and debate.
12. Design, construct, commission, operate and decommission all assets in a healthy, safe, secure, environmentally sound, reliable and efficient manner.
13. Ensure contractors and suppliers perform in a manner that is consistent and compatible with our policies and business performance standards. Ensure contracted services and procured materials meet the requirements and expectations of Husky's standards.
14. Confirm that HOIMS processes are implemented and assess whether they are working effectively. Measure progress and continually improve towards meeting HOIMS objectives, targets, and key performance indicators.

The Health, Safety and Environment Committee of the Board of Directors is responsible for reviewing and recommending for approval by the Board of Directors updates to the health, safety and environment policy, the development with management and achievement of specific environmental objectives and targets, and for monitoring compliance with the Company's environmental policies. The charter of the Health, Safety and Environment Committee is available on the Husky website at [www.huskyenergy.com](http://www.huskyenergy.com).

### **Environmental Protection**

Husky's operations are subject to various environmental requirements under federal, provincial, state and local laws and regulations, as well as international conventions. These laws and regulations cover matters such as air

emissions, wastewater discharge, land disturbances and handling of hazardous materials. These laws and regulations have proliferated and become more complex over time, governing an increasingly broad aspect of the industry's mode of operating and product characteristics. Husky anticipates that environmental laws and regulations will continue to increase in number and complexity. According to the American Petroleum Institute, between 1990 and 2007, reported environmental expenditures by the oil and gas industry in the United States increased by 85%.<sup>(1)</sup>

Husky is required by the Government of Canada to report facilities that emit greater than 100,000 tonnes of CO<sub>2</sub>. The Lloydminster upgrader, Prince George refinery, *SeaRose FPSO*, Ram River gas plant, Tucker oil sands plant, Bolney SAGD thermal plant and Pikes Peak CSS thermal plant are in this category. Husky has initiated an Environmental Performance Reporting System ("EPRS") that will gather, consolidate, calculate, report and identify trends including greenhouse gas emissions. To ensure the integrity of the EPRS data, Husky will have an independent third party audit performed. Husky is also a member of the Integrated CO<sub>2</sub> Network, which is working to reduce greenhouse gas emissions. The group is currently studying technologies in respect of capture, transportation and storage of CO<sub>2</sub>. At Lloydminster and Rainbow Lake, Husky utilizes cogeneration to produce both electricity and thermal energy for use at its processing facilities. This configuration has less adverse effects on the environment and is cost effective. Electrical energy in excess of Husky's requirements is sold into the grid. Fugitive emissions are a contributor to greenhouse gas, a potential hazard and a waste of money. In 2007, Husky initiated a program to detect and repair leaks. At Husky's Tucker SAGD project vapour recovery systems are in use on all tanks and process vessels.

Husky has undertaken programs to minimize water consumption, particularly potable water, and minimize risk to non-saline and potable water. At the Tucker project, 90% of water is recycled and saline water is used for make-up water. Husky is implementing various technologies to reduce water usage. Husky's alkaline surfactant polymer floods which increases the efficiency of water and the use of CO<sub>2</sub> instead of water to mobilize heavy oil in the reservoir are being evaluated in pilots to reduce water consumption.

A large proportion of environmental costs are embedded in general capital costs, particularly when compliance is achieved by upgrading or expanding facilities. Husky continually implements a variety of initiatives that have cost efficiency, environmental protection and safety benefits. Such projects include gas conservation, vapour recovery, boiler/heater efficiency and tank and pipeline integrity. In 2006, Husky completed a two phase modification at the Prince George refinery for approximately \$105 million that reduces sulphur content in gasoline and diesel to meet new Government of Canada regulations. Husky has approximately 500 retail locations in its light refined products operations. Husky is continually monitoring these locations for environmental issues and where required performing remediation, which have averaged approximately \$6 million per year for the past five years. Husky also performs routine underground tank replacements. During 2008, 11 locations received new tanks at a cost of approximately \$14 million. Husky has several legacy sites which require remediation. These inactive sites range from refinery sites to retail locations. In 2008 Husky spent \$5 million on remediation and expects to spend approximately \$9 million over the next three years to complete remediation of these locations. Husky expects to spend approximately \$40 million in 2009 at the Lima Refinery in respect of vapour recovery, emission control and water treatment.

It is not possible to predict with certainty the amount of additional investment in new or existing facilities required to be incurred in the future for environmental protection. Although these costs may be significant, Husky does not expect that they will have a material adverse effect on liquidity and financial position over the long-term.

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Note:

(1) "Environmental Expenditures by the U.S. Oil and Natural Gas Industry," 2009, American Petroleum Institute.

## **Risk Factors**

The following factors should be considered in evaluating Husky:

### **Adequacy of crude oil and natural gas prices**

Husky's results of operations and financial condition are dependent on the prices received for its crude oil and natural gas production. Lower prices for crude oil and natural gas could adversely affect the value and quantity of Husky's oil and gas reserves. Husky has significant quantities of heavier grades of crude oil reserves that trade at a discount to light crude oil. Heavier grades of crude oil are typically more expensive to produce, process, transport and refine into high value refined products. Refining capacity for heavy crude oil is limited. As a result, wider price differentials could have adverse effects on financial performance and condition, could reduce the value and quantities of our heavier crude oil reserves and could delay or cancel projects that involve the development of

heavier crude oil resources.

Prices for crude oil are based on world supply and demand. Supply and demand can be affected by a number of factors including, but not limited to, actions taken by OPEC, non-OPEC crude oil supply, social conditions in oil producing countries, the occurrence of natural disasters, general and specific economic conditions, prevailing weather patterns and the availability of alternate sources of energy.

Husky's natural gas production is located entirely in Western Canada and is, therefore, subject to North American market forces. North American natural gas supply and demand is affected by a number of factors including, but not limited to, the amount of natural gas available to specific market areas either from the well head or from storage facilities, prevailing weather patterns, the price of crude oil, the U.S. and Canadian economies, the occurrence of natural disasters and pipeline restrictions.

### **Demand for Husky's other products and services and the cost of required inputs**

Husky's results of operations and financial condition are dependent on the price of refinery feedstock, the price of energy, the demand and pricing for refined petroleum products and electrical power and the ability of Husky to recover the increased cost of these inputs from the customer. Husky is also dependent on the demand for our pipeline and processing capacity.

### **Husky's ability to replace reserves**

Husky's future cash flow and cost of capital are dependent on its ability to replace its proved oil and gas reserves in a cost effective manner. Without economic reserve additions through exploration and development or acquisition, Husky's production and, therefore, cash flow will decline. Without adequate proved reserves the Company's ability to fund development and other capital expenditures with external sources of funds is diminished.

### **Competition**

The energy industry is highly competitive with respect to gaining access to the resources required to increase oil and gas reserves and production and gain access to markets. Husky competes with others to acquire prospective lands, to retain drilling capacity and field operating and construction services, to attract and retain experienced skilled management and oil and gas professionals, to obtain sufficient pipeline and other transportation capacity, to gain access to and retain adequate markets for its products and services and gain access to capital markets. Husky's ability to successfully complete development projects could be adversely affected by an inability to acquire economic supplies and services due to competition. Subsequent increases in the cost of, or delays in acquiring, supplies and services could result in uneconomic projects. Husky's competitors comprise all types of energy companies, some of which have greater resources.

### **Delays and cost overruns of capital projects**

Husky is involved in capital projects such as exploration programs, development of oil and gas properties, plant and facilities construction, expansion and modification. Project delays can adversely affect expected cash flow and overall project costs thereby eroding project economics. Risk factors include, but are not limited to:

- availability and cost of capital;
- availability of skilled labour;
- availability of manufacturing capacity, supplies, material and equipment;
- regulatory approvals;
- faulty construction and design errors;
- accidents, labour disruptions, bankruptcies and productivity issues affecting us directly or indirectly; and
- unexpected changes in the scope of a project.

### **Business interruption of operations**

Husky's operations are subject to various risks with respect to normal operating conditions. These risks comprise, but are not limited to, explosions, blowouts, cratering, fires, severe storms and adverse weather, all forms of marine perils, release of toxic, combustible or explosive substances. These risks could cause loss of life, injury and destruction of public, private and our owned property.

The occurrence of any of the above listed events, or others not listed, could result in adverse financial

performance and conditions that may not be fully recoverable from our insurers.

### **Foreign exchange risk**

Husky's results are affected by the exchange rate between the Canadian and U.S. dollar. The majority of our revenues are received in U.S. dollars or from the sale of oil and gas commodities that receive prices determined by reference to U.S. benchmark prices. The majority of our expenditures are in Canadian dollars. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and gas commodities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the revenues received from the sale of oil and gas commodities.

In addition, a change in the value of the Canadian dollar against the U.S. dollar will result in an increase or decrease in our U.S. dollar denominated debt, as expressed in Canadian dollars, as well as in the related interest expense. At December 31, 2008, 100% or \$2.0 billion of our long-term debt was denominated in U.S. dollars. The percentage of our long-term debt exposed to the U.S./Cdn exchange rate decreases to 78% when cross currency swaps are included. Additionally, U.S. \$687 million of our U.S. dollar denominated debt has been designated as a hedge of a net investment and the unrealized foreign exchange gain is recorded in Other Comprehensive Income, further reducing the long-term debt exposed to the U.S./Cdn exchange rate to 35%.

The contribution receivable representing BP's obligation to fund capital expenditures of the Sunrise partnership is denominated in U.S. dollars and gains and losses from changes in the value of the Canadian dollar versus the U.S. dollar are recorded in foreign exchange gains and losses in the current year. At December 31, 2008, Husky's share of the balance of this receivable was U.S. \$1.2 billion including accrued interest. Husky has an obligation to fund capital expenditures of the BP-Husky Toledo Refinery and this contribution payable is denominated in U.S. dollars. Gains and losses from the translation of this obligation are recorded in Other Comprehensive Income as this item relates to a self sustaining foreign operation. At December 31, 2008, Husky's share of the balance of this obligation was U.S. \$1.4 billion including accrued interest.

### **Environmental risks**

All phases of the oil and natural gas business are subject to environmental regulation pursuant to a variety of federal, provincial, state and local laws and regulations, as well as international conventions (collectively, "environmental legislation").

Environmental legislation imposes, among other things, restrictions, liabilities, and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. Environmental legislation also requires that wells, facilities and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and significant changes to certain existing projects, may require the submission and approval of environmental impact assessments. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties and liability for clean-up costs and damages. We cannot be certain that the costs of complying with environmental legislation in the future will not have a material adverse effect on our financial condition and results of operations.

Husky anticipates that changes in environmental legislation may require reductions in emissions from its operations and result in increased capital expenditures. Further changes in environmental legislation could occur, which may result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, which could have a material adverse effect on our financial condition and results of operations.

In 1994, the United Nations' Framework Convention on Climate Change came into force and three years later led to the Kyoto Protocol, which requires the reduction of greenhouse gas emissions. On December 16, 2002, Canada ratified the Kyoto Protocol. In 2007, the world's nations met again to gain the agreement of major countries that were not signatories to the Kyoto protocol such as the United States, China and India. This meeting in Bali, Indonesia did little to advance wider agreement on limiting greenhouse gases and setting new limits for emissions, which expire in 2012 under the Kyoto Protocol. These initiatives may require Husky to significantly reduce emissions at its operations of greenhouse gases such as carbon dioxide, which may increase capital expenditures. Details regarding the implementation of the Kyoto Protocol and the ultimate completion of the Bali agreement in 2009 remain unclear.

The Federal Government of Canada has announced certain regulations in respect of greenhouse gases and other pollutants. Although uncertain, these regulations may adversely affect our operations and increase our costs. These regulations may become more onerous over time as public and political pressures increase to implement

initiatives that will effectively arrest the emission of greenhouse gases.

**Changes to government fiscal policy may reduce our cash flow**

All of Husky's oil and gas production is subject to royalties which are potentially impacted by changes in government fiscal policies. In 2007, the Alberta Government announced its decision with respect of recommendations issued by the Alberta Royalty Review Panel. The new Alberta fiscal regime has decreased Husky's future net revenue from proved reserves estimated at December 31, 2008 before income taxes discounted at 10% by approximately 1%.

# Upstream Operations

## Disclosures of Oil and Gas Activities

In the tables that follow, the following definitions apply: light crude oil (30° API and lighter), medium crude oil (between 20° and 30° API), heavy crude oil (20° and heavier but lighter than 10° API) and bitumen (10° API and heavier).

### Production

	2008					
	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil (mbbls/day)</b>						
Light crude oil and NGL .....	122.9	24.6	86.1	110.7	12.1	0.1
Medium crude oil .....	26.9	26.9	—	26.9	—	—
Heavy crude oil & bitumen .....	<u>107.0</u>	<u>107.0</u>	—	<u>107.0</u>	—	—
Total gross <sup>(1)</sup> .....	<u>256.8</u>	<u>158.5</u>	<u>86.1</u>	<u>244.6</u>	<u>12.1</u>	<u>0.1</u>
Total net <sup>(1)</sup> .....	<u>206.8</u>	<u>134.9</u>	<u>62.7</u>	<u>197.6</u>	<u>9.1</u>	<u>0.1</u>
<b>Natural Gas (mmcf/day)</b>						
Gross <sup>(1)</sup> .....	<u>594.4</u>	<u>594.4</u>	—	<u>594.4</u>	—	—
Net <sup>(1)</sup> .....	<u>464.2</u>	<u>464.2</u>	—	<u>464.2</u>	—	—
<b>2007</b>						
	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil (mbbls/day)</b>						
Light crude oil and NGL .....	138.7	26.4	99.5	125.9	12.7	0.1
Medium crude oil .....	27.1	27.1	—	27.1	—	—
Heavy crude oil & bitumen .....	<u>106.9</u>	<u>106.9</u>	—	<u>106.9</u>	—	—
Total gross <sup>(1)</sup> .....	<u>272.7</u>	<u>160.4</u>	<u>99.5</u>	<u>259.9</u>	<u>12.7</u>	<u>0.1</u>
Total net <sup>(1)</sup> .....	<u>233.0</u>	<u>134.6</u>	<u>88.2</u>	<u>222.8</u>	<u>10.1</u>	<u>0.1</u>
<b>Natural Gas (mmcf/day)</b>						
Gross <sup>(1)</sup> .....	<u>623.3</u>	<u>623.3</u>	—	<u>623.3</u>	—	—
Net <sup>(1)</sup> .....	<u>492.3</u>	<u>492.3</u>	—	<u>492.3</u>	—	—
<b>2006</b>						
	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil (mbbls/day)</b>						
Light crude oil and NGL .....	111.0	30.3	68.5	98.8	12.1	0.1
Medium crude oil .....	28.5	28.5	—	28.5	—	—
Heavy crude oil & bitumen .....	<u>108.1</u>	<u>108.1</u>	—	<u>108.1</u>	—	—
Total gross <sup>(1)</sup> .....	<u>247.6</u>	<u>166.9</u>	<u>68.5</u>	<u>235.4</u>	<u>12.1</u>	<u>0.1</u>
Total net <sup>(1)</sup> .....	<u>220.4</u>	<u>143.8</u>	<u>66.5</u>	<u>210.3</u>	<u>10.0</u>	<u>0.1</u>
<b>Natural Gas (mmcf/day)</b>						
Gross <sup>(1)</sup> .....	<u>672.3</u>	<u>672.3</u>	—	<u>672.3</u>	—	—
Net <sup>(1)</sup> .....	<u>528.2</u>	<u>528.2</u>	—	<u>528.2</u>	—	—

Note:

- (1) Gross volumes are Husky's lessor royalty, overriding royalty and working interest share of production before deduction of royalties. Net volumes are Husky's gross volumes, less royalties.

**Revenue**

	2008					
	Total	Western Canada	East Coast	Canada	China	Libya
	(\$ millions)					
<b>Crude Oil</b>						
Light crude oil and NGL.....	4,374	780	3,157	3,937	433	4
Medium crude oil.....	805	805	—	805	—	—
Heavy crude oil & bitumen .....	<u>2,805</u>	<u>2,805</u>	<u>—</u>	<u>2,805</u>	<u>—</u>	<u>—</u>
Total gross.....	<u>7,984</u>	<u>4,390</u>	<u>3,157</u>	<u>7,547</u>	<u>433</u>	<u>4</u>
Total net.....	<u>6,225</u>	<u>3,621</u>	<u>2,289</u>	<u>5,910</u>	<u>312</u>	<u>3</u>
<b>Natural Gas</b>						
Gross.....	<u>1,876</u>	<u>1,876</u>	<u>—</u>	<u>1,876</u>	<u>—</u>	<u>—</u>
Net .....	<u>1,563</u>	<u>1,563</u>	<u>—</u>	<u>1,563</u>	<u>—</u>	<u>—</u>
Processing/Transportation.....	<u>72</u>	<u>72</u>	<u>—</u>	<u>72</u>	<u>—</u>	<u>—</u>
	2007					
	Total	Western Canada	East Coast	Canada	China	Libya
	(\$ millions)					
<b>Crude Oil</b>						
Light crude oil and NGL.....	3,722	626	2,736	3,362	357	3
Medium crude oil.....	504	504	—	504	—	—
Heavy crude oil & bitumen .....	<u>1,567</u>	<u>1,567</u>	<u>—</u>	<u>1,567</u>	<u>—</u>	<u>—</u>
Total gross.....	<u>5,793</u>	<u>2,697</u>	<u>2,736</u>	<u>5,433</u>	<u>357</u>	<u>3</u>
Total net.....	<u>4,965</u>	<u>2,421</u>	<u>2,256</u>	<u>4,677</u>	<u>285</u>	<u>3</u>
<b>Natural Gas</b>						
Gross.....	<u>1,430</u>	<u>1,430</u>	<u>—</u>	<u>1,430</u>	<u>—</u>	<u>—</u>
Net .....	<u>1,200</u>	<u>1,200</u>	<u>—</u>	<u>1,200</u>	<u>—</u>	<u>—</u>
Processing/Transportation.....	<u>64</u>	<u>64</u>	<u>—</u>	<u>64</u>	<u>—</u>	<u>—</u>
	2006					
	Total	Western Canada	East Coast	Canada	China	Libya
	(\$ millions)					
<b>Crude Oil</b>						
Light crude oil and NGL.....	2,799	691	1,779	2,470	324	5
Medium crude oil.....	515	515	—	515	—	—
Heavy crude oil & bitumen .....	<u>1,575</u>	<u>1,575</u>	<u>—</u>	<u>1,575</u>	<u>—</u>	<u>—</u>
Total gross.....	<u>4,889</u>	<u>2,781</u>	<u>1,779</u>	<u>4,560</u>	<u>324</u>	<u>5</u>
Total net.....	<u>4,358</u>	<u>2,352</u>	<u>1,731</u>	<u>4,083</u>	<u>270</u>	<u>5</u>
<b>Natural Gas</b>						
Gross .....	<u>1,601</u>	<u>1,601</u>	<u>—</u>	<u>1,601</u>	<u>—</u>	<u>—</u>
Net .....	<u>1,319</u>	<u>1,319</u>	<u>—</u>	<u>1,319</u>	<u>—</u>	<u>—</u>
Processing/Transportation .....	<u>96</u>	<u>69</u>	<u>27</u>	<u>96</u>	<u>—</u>	<u>—</u>

*Sales Prices*

	2008					
	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil</b> (\$/bbl)						
Light crude oil and NGL.....	97.28	86.65	100.12	97.13	98.56	118.97
Medium crude oil.....	81.79	81.79	—	81.79	—	—
Heavy crude oil & bitumen .....	71.61	71.61	—	71.61	—	—
Total crude oil and NGL .....	84.96	75.67	100.12	84.28	98.56	118.97
<b>Natural Gas</b> (\$/mcf)						
	7.94	7.94	—	7.94	—	—

	2007					
	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil</b> (\$/bbl)						
Light crude oil and NGL.....	73.54	65.01	75.37	73.18	77.03	82.21
Medium crude oil.....	51.12	51.12	—	51.12	—	—
Heavy crude oil & bitumen .....	40.19	40.19	—	40.19	—	—
Total crude oil and NGL .....	58.24	46.12	75.37	57.31	77.03	82.21
<b>Natural Gas</b> (\$/mcf)						
	6.19	6.19	—	6.19	—	—

	2006					
	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil</b> (\$/bbl)						
Light crude oil and NGL.....	69.06	62.46	71.18	68.50	73.58	74.96
Medium crude oil.....	49.48	49.48	—	49.48	—	—
Heavy crude oil & bitumen .....	39.92	39.92	—	39.92	—	—
Total crude oil and NGL .....	54.08	45.64	71.18	53.07	73.58	74.96
<b>Natural Gas</b> (\$/mcf)						
	6.47	6.47	—	6.47	—	—

*Capital Expenditures*

2008							
Total	Western Canada	East Coast	Canada	United States	China	Indonesia	Libya
(\$ millions)							
Property acquisition .....	530	485	—	485	45	—	—
Exploration.....	836	436	160	596	15	214	11
Development .....	<u>2,214</u>	<u>1,640</u>	<u>569</u>	<u>2,209</u>	<u>—</u>	<u>3</u>	<u>2</u>
	<u>3,580</u>	<u>2,561</u>	<u>729</u>	<u>3,290</u>	<u>60</u>	<u>217</u>	<u>11</u>
2007							
Total	Western Canada	East Coast	Canada	China	Indonesia	Libya	
(\$ millions)							
Property acquisition .....	172	172	—	172	—	—	—
Exploration.....	564	410	83	493	54	17	—
Development .....	<u>1,652</u>	<u>1,449</u>	<u>197</u>	<u>1,646</u>	<u>1</u>	<u>5</u>	<u>—</u>
	<u>2,388</u>	<u>2,031</u>	<u>280</u>	<u>2,311</u>	<u>55</u>	<u>22</u>	<u>—</u>
2006							
Total	Western Canada	East Coast	Canada	China	Indonesia	Libya	
(\$ millions)							
Property acquisition .....	193	192	1	193	—	—	—
Exploration.....	774	618	79	697	71	6	—
Development .....	<u>1,660</u>	<u>1,361</u>	<u>279</u>	<u>1,640</u>	<u>14</u>	<u>5</u>	<u>1</u>
	<u>2,627</u>	<u>2,171</u>	<u>359</u>	<u>2,530</u>	<u>85</u>	<u>11</u>	<u>1</u>

**Oil and Gas Netbacks (1)**

	2008					
	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil (\$/bbl)</b>						
<b>Light crude oil</b>						
Sales revenue.....	96.73	82.97	100.12	96.51	98.56	118.97
Royalties.....	25.14	11.53	28.45	24.89	27.65	—
Operating costs.....	<u>6.56</u>	<u>13.90</u>	<u>4.99</u>	<u>6.74</u>	<u>4.78</u>	<u>17.35</u>
Netback.....	<u>65.03</u>	<u>57.54</u>	<u>66.68</u>	<u>64.88</u>	<u>66.13</u>	<u>101.62</u>
<b>Medium crude oil</b>						
Sales revenue.....	79.91	79.91	—	79.91	—	—
Royalties.....	13.91	13.91	—	13.91	—	—
Operating costs.....	<u>15.60</u>	<u>15.60</u>	<u>—</u>	<u>15.60</u>	<u>—</u>	<u>—</u>
Netback.....	<u>50.40</u>	<u>50.40</u>	<u>—</u>	<u>50.40</u>	<u>—</u>	<u>—</u>
<b>Heavy crude oil &amp; bitumen</b>						
Sales revenue.....	71.19	71.19	—	71.19	—	—
Royalties.....	10.52	10.52	—	10.52	—	—
Operating costs.....	<u>15.60</u>	<u>15.60</u>	<u>—</u>	<u>15.60</u>	<u>—</u>	<u>—</u>
Netback.....	<u>45.07</u>	<u>45.07</u>	<u>—</u>	<u>45.07</u>	<u>—</u>	<u>—</u>
<b>Total crude oil</b>						
Sales revenue.....	84.13	74.43	100.12	83.47	98.56	118.97
Royalties.....	17.75	11.26	28.45	17.28	27.65	—
Operating costs.....	<u>11.39</u>	<u>15.27</u>	<u>4.99</u>	<u>11.68</u>	<u>4.78</u>	<u>17.35</u>
Netback.....	<u>54.99</u>	<u>47.90</u>	<u>66.68</u>	<u>54.51</u>	<u>66.13</u>	<u>101.62</u>
<b>Natural Gas (\$/mcf)</b>						
Sales revenue.....	8.21	8.21	—	8.21	—	—
Royalties.....	1.60	1.60	—	1.60	—	—
Operating costs.....	<u>1.59</u>	<u>1.59</u>	<u>—</u>	<u>1.59</u>	<u>—</u>	<u>—</u>
Netback.....	<u>5.02</u>	<u>5.02</u>	<u>—</u>	<u>5.02</u>	<u>—</u>	<u>—</u>
<b>Equivalent Unit (\$/boe)</b>						
Sales revenue.....	74.57	64.89	100.12	73.72	98.56	118.97
Royalties.....	15.52	10.63	28.45	15.09	27.65	—
Operating costs.....	<u>10.93</u>	<u>13.16</u>	<u>4.99</u>	<u>11.14</u>	<u>4.78</u>	<u>17.35</u>
Netback.....	<u>48.12</u>	<u>41.10</u>	<u>66.68</u>	<u>47.49</u>	<u>66.13</u>	<u>101.62</u>

Note:

- (1) Netbacks reflect the results of operations for leases classified as oil or natural gas. Co-products, such as natural gas produced at an oil property or natural gas liquids produced at a natural gas property, have been converted to equivalent units of oil or natural gas depending on the lease product classification.

2007

	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil (\$/bbl)</b>						
<b>Light crude oil</b>						
Sales revenue.....	72.94	61.02	75.37	72.56	77.03	82.21
Royalties.....	9.72	7.87	9.43	9.12	15.63	—
Operating costs.....	<u>5.70</u>	<u>13.24</u>	<u>4.07</u>	<u>5.89</u>	<u>3.68</u>	<u>23.12</u>
Netback.....	<u>57.52</u>	<u>39.91</u>	<u>61.87</u>	<u>57.55</u>	<u>57.72</u>	<u>59.09</u>
<b>Medium crude oil</b>						
Sales revenue.....	50.42	50.42	—	50.42	—	—
Royalties.....	8.89	8.89	—	8.89	—	—
Operating costs.....	<u>13.92</u>	<u>13.92</u>	—	<u>13.92</u>	—	—
Netback.....	<u>27.61</u>	<u>27.61</u>	—	<u>27.61</u>	—	—
<b>Heavy crude oil &amp; bitumen</b>						
Sales revenue.....	40.14	40.14	—	40.14	—	—
Royalties.....	5.26	5.26	—	5.26	—	—
Operating costs.....	<u>12.81</u>	<u>12.81</u>	—	<u>12.81</u>	—	—
Netback.....	<u>22.07</u>	<u>22.07</u>	—	<u>22.07</u>	—	—
<b>Total crude oil</b>						
Sales revenue.....	57.60	45.13	75.37	56.65	77.03	82.21
Royalties.....	7.87	6.30	9.43	7.49	15.63	—
Operating costs.....	<u>9.37</u>	<u>13.07</u>	<u>4.07</u>	<u>9.64</u>	<u>3.68</u>	<u>23.12</u>
Netback.....	<u>40.36</u>	<u>25.76</u>	<u>61.87</u>	<u>39.52</u>	<u>57.72</u>	<u>59.09</u>
<b>Natural Gas (\$/mcf)</b>						
Sales revenue.....	6.42	6.42	—	6.42	—	—
Royalties.....	1.23	1.23	—	1.23	—	—
Operating costs.....	<u>1.39</u>	<u>1.39</u>	—	<u>1.39</u>	—	—
Netback.....	<u>3.80</u>	<u>3.80</u>	—	<u>3.80</u>	—	—
<b>Equivalent Unit (\$/boe)</b>						
Sales revenue.....	52.41	42.57	75.37	51.54	77.03	82.21
Royalties.....	7.74	6.72	9.43	7.46	15.63	—
Operating costs.....	<u>9.09</u>	<u>11.24</u>	<u>4.07</u>	<u>9.28</u>	<u>3.68</u>	<u>23.12</u>
Netback.....	<u>35.58</u>	<u>24.61</u>	<u>61.87</u>	<u>34.80</u>	<u>57.72</u>	<u>59.09</u>

Note:

- (1) Netbacks reflect the results of operations for leases classified as oil or natural gas. Co-products, such as natural gas produced at an oil property or natural gas liquids produced at a natural gas property, have been converted to equivalent units of oil or natural gas depending on the lease product classification.

## 2006

	Total	Western Canada	East Coast	Canada	China	Libya
<b>Crude Oil (\$/bbl)</b>						
<b>Light crude oil</b>						
Sales revenue.....	68.51	59.89	71.18	67.87	73.58	74.96
Royalties.....	4.49	7.34	1.95	3.52	12.33	—
Operating costs .....	<u>6.96</u>	<u>11.89</u>	<u>5.48</u>	<u>7.36</u>	<u>3.61</u>	<u>18.51</u>
Netback .....	<u>57.06</u>	<u>40.66</u>	<u>63.75</u>	<u>56.99</u>	<u>57.64</u>	<u>56.45</u>
<b>Medium crude oil</b>						
Sales revenue.....	48.97	48.97	—	48.97	—	—
Royalties.....	8.61	8.61	—	8.61	—	—
Operating costs .....	<u>13.09</u>	<u>13.09</u>	<u>—</u>	<u>13.09</u>	<u>—</u>	<u>—</u>
Netback .....	<u>27.27</u>	<u>27.27</u>	<u>—</u>	<u>27.27</u>	<u>—</u>	<u>—</u>
<b>Heavy crude oil &amp; bitumen</b>						
Sales revenue.....	39.91	39.91	—	39.91	—	—
Royalties.....	5.16	5.16	—	5.16	—	—
Operating costs .....	<u>11.10</u>	<u>11.10</u>	<u>—</u>	<u>11.10</u>	<u>—</u>	<u>—</u>
Netback .....	<u>23.65</u>	<u>23.65</u>	<u>—</u>	<u>23.65</u>	<u>—</u>	<u>—</u>
<b>Total crude oil</b>						
Sales revenue.....	53.55	44.90	71.18	52.51	73.58	74.96
Royalties.....	5.28	6.14	1.95	4.92	12.33	—
Operating costs .....	<u>9.53</u>	<u>11.60</u>	<u>5.48</u>	<u>9.83</u>	<u>3.61</u>	<u>18.51</u>
Netback .....	<u>38.74</u>	<u>27.16</u>	<u>63.75</u>	<u>37.76</u>	<u>57.64</u>	<u>56.45</u>
<b>Natural Gas (\$/mcf)</b>						
Sales revenue.....	6.65	6.65	—	6.65	—	—
Royalties.....	1.37	1.37	—	1.37	—	—
Operating costs .....	<u>1.18</u>	<u>1.18</u>	<u>—</u>	<u>1.18</u>	<u>—</u>	<u>—</u>
Netback .....	<u>4.10</u>	<u>4.10</u>	<u>—</u>	<u>4.10</u>	<u>—</u>	<u>—</u>
<b>Equivalent Unit (\$/boe)</b>						
Sales revenue.....	49.34	42.91	71.18	48.58	73.58	74.96
Royalties.....	6.19	6.97	1.95	5.99	12.33	—
Operating costs .....	<u>8.77</u>	<u>9.79</u>	<u>5.48</u>	<u>8.98</u>	<u>3.61</u>	<u>18.51</u>
Netback .....	<u>34.38</u>	<u>26.15</u>	<u>63.75</u>	<u>33.61</u>	<u>57.64</u>	<u>56.45</u>

## Note:

- (1) Netbacks reflect the results of operations for leases classified as oil or natural gas. Co-products, such as natural gas produced at an oil property or natural gas liquids produced at a natural gas property, have been converted to equivalent units of oil or natural gas depending on the lease product classification.

## Producing Wells

	Oil Wells		Natural Gas Wells		Total	
	Gross <sup>(1)(2)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)(2)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)(2)</sup>	Net <sup>(1)</sup>
<b>Canada</b>						
Alberta.....	4,276	3,406	5,631	4,346	9,907	7,752
Saskatchewan .....	5,697	4,682	1,318	1,205	7,015	5,887
British Columbia.....	203	58	259	205	462	263
Newfoundland .....	<u>23</u>	<u>8</u>	<u>—</u>	<u>—</u>	<u>23</u>	<u>8</u>
	<u>10,199</u>	<u>8,154</u>	<u>7,208</u>	<u>5,756</u>	<u>17,407</u>	<u>13,910</u>
<b>International</b>						
China.....	29	12	—	—	29	12
Libya .....	<u>2</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>1</u>
	<u>31</u>	<u>13</u>	<u>—</u>	<u>—</u>	<u>31</u>	<u>13</u>
<b>As at December 31, 2008</b>	<u>10,230</u>	<u>8,167</u>	<u>7,208</u>	<u>5,756</u>	<u>17,438</u>	<u>13,923</u>
<b>Canada</b>						
Alberta.....	4,090	3,211	5,489	4,274	9,579	7,485
Saskatchewan .....	5,479	4,514	1,192	1,085	6,671	5,599
British Columbia.....	204	58	239	170	443	228
Newfoundland .....	<u>22</u>	<u>7</u>	<u>—</u>	<u>—</u>	<u>22</u>	<u>7</u>
	<u>9,795</u>	<u>7,790</u>	<u>6,920</u>	<u>5,529</u>	<u>16,715</u>	<u>13,319</u>
<b>International</b>						
China.....	29	12	—	—	29	12
Libya .....	<u>2</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>1</u>
	<u>31</u>	<u>13</u>	<u>—</u>	<u>—</u>	<u>31</u>	<u>13</u>
<b>As at December 31, 2007</b>	<u>9,826</u>	<u>7,803</u>	<u>6,920</u>	<u>5,529</u>	<u>16,746</u>	<u>13,332</u>
<b>Canada</b>						
Alberta .....	4,390	3,395	5,385	4,235	9,775	7,630
Saskatchewan .....	5,076	4,118	1,084	1,028	6,160	5,146
British Columbia .....	203	57	219	150	422	207
Newfoundland.....	21	6	—	—	21	6
Northwest Territories.....	<u>5</u>	<u>1</u>	<u>5</u>	<u>1</u>	<u>10</u>	<u>2</u>
	<u>9,695</u>	<u>7,577</u>	<u>6,693</u>	<u>5,414</u>	<u>16,388</u>	<u>12,991</u>
<b>International</b>						
China.....	27	11	—	—	27	11
Libya.....	<u>2</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>1</u>
	<u>29</u>	<u>12</u>	<u>—</u>	<u>—</u>	<u>29</u>	<u>12</u>
<b>As at December 31, 2006</b>	<u>9,724</u>	<u>7,589</u>	<u>6,693</u>	<u>5,414</u>	<u>16,417</u>	<u>13,003</u>

### Notes:

- (1) The number of gross wells is the total number of wells in which Husky owns a working interest. The number of net wells is the sum of the fractional interests owned in the gross wells. Producing wells were producing or capable of producing at December 31.
- (2) The above table does not include producing wells in which Husky has no working interest but does have a royalty interest. At December 31, 2008, Husky had a royalty interest in 3,929 wells of which 1,272 were oil producers and 2,657 were gas producers.
- (3) For purposes of the above table, multiple completions are counted as a single well. Where one of the completions in a given well is an oil completion, the well is classified as an oil well. In 2008, there were 313 gross, 298 net oil wells and 789 gross, 657 net natural gas wells which were completed in two or more formations and from which production is not commingled.

*Landholdings*

	<b>Developed Acreage</b>	
	<b>Gross</b>	<b>Net</b>
	(thousands of acres)	
<b>As at December 31, 2008</b>		
<b>Western Canada</b>		
Alberta.....	3,159	2,658
Saskatchewan.....	779	657
British Columbia.....	<u>167</u>	<u>114</u>
	<u>4,105</u>	<u>3,429</u>
<b>Eastern Canada.....</b>	<u>54</u>	<u>18</u>
	<u>4,159</u>	<u>3,447</u>
<b>China.....</b>	17	7
<b>Libya.....</b>	<u>7</u>	<u>2</u>
	<u>4,183</u>	<u>3,456</u>
<b>As at December 31, 2007</b>		
<b>Western Canada</b>		
Alberta.....	3,102	2,610
Saskatchewan.....	638	574
British Columbia.....	<u>183</u>	<u>115</u>
	<u>3,923</u>	<u>3,299</u>
<b>Northwest Territories and Arctic.....</b>	—	—
<b>Eastern Canada.....</b>	<u>42</u>	<u>9</u>
	<u>3,965</u>	<u>3,308</u>
<b>China.....</b>	17	7
<b>Libya.....</b>	<u>7</u>	<u>2</u>
	<u>3,989</u>	<u>3,317</u>
<b>As at December 31, 2006</b>		
<b>Western Canada</b>		
Alberta.....	3,235	2,709
Saskatchewan.....	592	531
British Columbia.....	<u>185</u>	<u>114</u>
	<u>4,012</u>	<u>3,354</u>
<b>Northwest Territories and Arctic.....</b>	7	1
<b>Eastern Canada.....</b>	<u>35</u>	<u>4</u>
	<u>4,054</u>	<u>3,359</u>
<b>China.....</b>	17	7
<b>Libya.....</b>	<u>7</u>	<u>2</u>
	<u>4,078</u>	<u>3,368</u>

*Landholdings (continued)*

	<b>Undeveloped Acreage</b>	
	<b>Gross</b>	<b>Net</b>
	(thousands of acres)	
<b>As at December 31, 2008</b>		
<b>Western Canada</b>		
Alberta .....	4,287	3,743
Saskatchewan .....	1,563	1,473
British Columbia.....	962	662
Manitoba .....	<u>1</u>	<u>1</u>
	<u>6,813</u>	<u>5,879</u>
<b>Northwest Territories and Arctic</b> .....	1,042	629
<b>Eastern Canada</b> .....	<u>4,364</u>	<u>3,192</u>
	<u>12,219</u>	<u>9,700</u>
<b>United States</b> .....	<u>1,707</u>	<u>422</u>
<b>China</b> .....	<u>6,337</u>	<u>3,105</u>
<b>Indonesia</b> .....	<u>2,992</u>	<u>2,646</u>
<b>Greenland</b> .....	<u>8,471</u>	<u>5,983</u>
	<u>31,726</u>	<u>21,856</u>
 <b>As at December 31, 2007</b>		
<b>Western Canada</b>		
Alberta .....	4,118	3,600
Saskatchewan .....	1,547	1,404
British Columbia.....	888	610
Manitoba .....	<u>1</u>	<u>1</u>
	<u>6,554</u>	<u>5,615</u>
<b>Northwest Territories and Arctic</b> .....	1,021	396
<b>Eastern Canada</b> .....	<u>2,429</u>	<u>1,566</u>
	<u>10,004</u>	<u>7,577</u>
<b>China</b> .....	<u>7,372</u>	<u>3,612</u>
<b>Indonesia</b> .....	<u>1,742</u>	<u>1,742</u>
<b>Greenland</b> .....	<u>8,471</u>	<u>5,984</u>
	<u>27,589</u>	<u>18,915</u>
 <b>As at December 31, 2006</b>		
<b>Western Canada</b>		
Alberta .....	4,358	3,841
Saskatchewan .....	1,654	1,513
British Columbia.....	906	639
Manitoba .....	<u>1</u>	<u>1</u>
	<u>6,919</u>	<u>5,994</u>
<b>Northwest Territories and Arctic</b> .....	884	239
<b>Eastern Canada</b> .....	<u>2,591</u>	<u>1,786</u>
	<u>10,394</u>	<u>8,019</u>
<b>China</b> .....	<u>7,637</u>	<u>3,742</u>
<b>Indonesia</b> .....	<u>1,742</u>	<u>1,742</u>
	<u>19,773</u>	<u>13,503</u>

## Drilling Activity

	Year ended December 31					
	2008		2007		2006	
	Gross	Net	Gross	Net	Gross	Net
<b>Western Canada Drilling</b>						
<b>Exploration</b>						
Oil .....	80	70	79	79	101	99
Gas .....	102	79	114	92	330	192
Dry .....	<u>27</u>	<u>23</u>	<u>14</u>	<u>12</u>	<u>26</u>	<u>24</u>
	<u>209</u>	<u>172</u>	<u>207</u>	<u>183</u>	<u>457</u>	<u>315</u>
<b>Development</b>						
Oil .....	685	578	571	530	590	543
Gas .....	435	270	343	251	565	490
Dry .....	<u>36</u>	<u>36</u>	<u>31</u>	<u>29</u>	<u>25</u>	<u>22</u>
	<u>1,156</u>	<u>884</u>	<u>945</u>	<u>810</u>	<u>1,180</u>	<u>1,055</u>
	<u>1,365</u>	<u>1,056</u>	<u>1,152</u>	<u>993</u>	<u>1,637</u>	<u>1,370</u>
<b>Offshore East Coast - Canada</b>						
<b>Development</b>						
Oil .....	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>2</u>

## Present Activities

	Exploratory		Development	
	Gross	Net	Gross	Net
<b>Wells Drilling <sup>(1)</sup></b>				
Western Canada .....	5	3	13	11
United States .....	<u>1</u>	<u>0.5</u>	=	=
	<u>6</u>	<u>3.5</u>	<u>13</u>	<u>11</u>
<b>Stratigraphic Test Wells</b>				
Offshore East Coast - Canada .....	1	0.4	-	-
Offshore China .....	<u>2</u>	<u>1</u>	=	=
	<u>3</u>	<u>1.4</u>	=	=

Note:

(1) Denotes wells that were drilling at December 31, 2008.

## Oil and Gas Reserves Disclosures

Husky's oil and gas reserves as of December 31, 2008 are based on prices and costs in effect on that date and remain constant in future periods in accordance with the rules of FASB and the SEC (U.S.) and are prepared internally by Husky's reserves evaluation staff. Husky uses a formalized process for determining, approving and booking reserves. This process provides for all reserves evaluations to be done on a consistent basis using established definitions and guidelines. Approval of any significant reserve additions and changes requires review by an internal panel of qualified reserves evaluators.

### Audit of Oil and Gas Reserves

McDaniel & Associates Consultants Ltd., an independent firm of qualified oil and gas reserves evaluation engineers, was engaged to conduct an audit of Husky's crude oil, natural gas and natural gas products reserves. McDaniel & Associates Consultants Ltd. issued an audit opinion stating that Husky's internally generated proved and probable reserves and net present values based on forecast and constant price assumptions are, in aggregate, reasonable, and have been prepared in accordance with generally accepted oil and gas engineering and evaluation practices in the United States and as set out in the COGEH.

## Proved Reserves

	Crude Oil & NGL <sup>(1)</sup>		Natural Gas <sup>(1)</sup>		Future Net Cash Flows Before Tax <sup>(1)(4)</sup>	
	Gross <sup>(2)</sup>	Net <sup>(2)</sup>	Gross <sup>(2)</sup>	Net <sup>(2)</sup>	0%	10%
	(mmbbls)		(bcf)		(\$ millions)	
Proved developed <sup>(3)</sup> .....	415	363	1,760	1,524	11,989	7,913
Proved undeveloped <sup>(3)(5)</sup> .....	<u>116</u>	<u>107</u>	<u>430</u>	<u>388</u>	<u>2,214</u>	<u>876</u>
Proved total <sup>(3)</sup> .....	<u>531</u>	<u>470</u>	<u>2,190</u>	<u>1,912</u>	<u>14,203</u>	<u>8,789</u>

Notes:

- (1) Husky applied for and was granted an exemption from National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" to provide oil and gas reserves disclosures in accordance with the U.S. Securities and Exchange Commission guidelines and the U.S. Financial Accounting Standards Board disclosure standards. The information disclosed may differ from information prepared in accordance with National Instrument 51-101. Husky's internally generated oil and gas reserves data was audited by an independent firm of qualified reserves evaluators.
- (2) Gross reserves are Husky's lessor royalty, overriding royalty and working interest share of reserves, before deduction of royalties. Net reserves are gross reserves, less royalties.
- (3) These reserve categories have the same meanings as those set out in SEC Regulation S-X.
- (4) On December 31, 2008, the date our proved oil and gas reserves were evaluated the discounted future net cash flows were based on the year-end spot NYMEX natural gas price of U.S. \$5.41/mmbtu and on a spot WTI crude oil price of U.S.\$44.60/bbl. The calculated price of Lloydminster heavy crude was \$34.56/bbl and Tucker bitumen was \$29.86/bbl. When compared with Husky's reserves based on 2008 annual average prices the year-end prices resulted in a negative price revision of 98/mmboc 70% of which was related to proved bitumen reserves and 13% was related to proved heavy crude oil reserves. Please refer to Husky's 2008 MD&A for further discussion about price revisions.
- (5) Estimated future capital expenditures required to gain access to proved undeveloped reserves as at December 31, 2008 and 2007 were as follows:

As at December 31, 2008							
	Total	2009	2010	2011	2012	2013	Thereafter
	(\$ millions undiscounted)						
Western Canada .....	1,615	370	428	319	151	96	251
Eastern Canada.....	<u>391</u>	<u>256</u>	<u>111</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>24</u>
	<u>2,006</u>	<u>626</u>	<u>539</u>	<u>319</u>	<u>151</u>	<u>96</u>	<u>275</u>
As at December 31, 2007							
	Total	2008	2009	2010	2011	2012	Thereafter
	(\$ millions undiscounted)						
Western Canada .....	1,943	713	520	272	119	87	232
Eastern Canada.....	<u>476</u>	<u>198</u>	<u>237</u>	<u>19</u>	<u>—</u>	<u>—</u>	<u>22</u>
	<u>2,419</u>	<u>911</u>	<u>757</u>	<u>291</u>	<u>119</u>	<u>87</u>	<u>254</u>
As at December 31, 2006							
	Total	2007	2008	2009	2010	2011	Thereafter
	(\$ millions undiscounted)						
Western Canada .....	1,725	558	573	263	100	96	135
Eastern Canada.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,725</u>	<u>558</u>	<u>573</u>	<u>263</u>	<u>100</u>	<u>96</u>	<u>135</u>

## Reconciliation of Proved Gross Reserves

	Canada					International			Total	
	Western Canada					East Coast				
	Light Crude Oil & NGL <i>(mmbbls)</i>	Medium Crude Oil <i>(mmbbls)</i>	Heavy Crude Oil <i>(mmbbls)</i>	Natural Gas <i>(bcf)</i>	Bitumen <i>(mmbbls)</i>	Light Crude Oil <i>(mmbbls)</i>	Light Crude Oil & NGL <i>(mmbbls)</i>	Natural Gas <i>(bcf)</i>	Crude Oil & NGL <i>(mmbbls)</i>	Natural Gas <i>(bcf)</i>
<b>Proved reserves, before royalties <sup>(1)</sup></b>										
End of 2005.....	167	91	217	2,136	48	89	17	—	629	2,136
Revisions.....	(3)	(1)	(2)	(87)	(1)	31	2	—	26	(87)
Purchases .....	1	1	—	25	—	—	—	—	2	25
Sales .....	(1)	—	—	(3)	—	—	—	—	(1)	(3)
Discoveries and extensions.....	7	5	37	314	13	—	—	—	62	314
Improved recovery.....	6	1	—	3	—	12	—	—	19	3
Production.....	(11)	(10)	(39)	(245)	—	(25)	(5)	—	(90)	(245)
End of 2006.....	166	87	213	2,143	60	107	14	—	647	2,143
Revisions.....	1	4	(8)	64	—	26	2	—	25	64
Purchases .....	1	—	—	36	—	—	—	—	1	36
Sales .....	(10)	—	—	(23)	—	—	—	—	(10)	(23)
Discoveries and extensions.....	8	6	37	189	11	19	—	—	81	189
Improved recovery.....	2	1	1	10	—	—	—	—	4	10
Production.....	(9)	(10)	(38)	(228)	(1)	(36)	(5)	—	(99)	(228)
End of 2007.....	159	88	205	2,191	70	116	11	—	649	2,191
Revisions.....	(12)	3	(13)	(42)	(69)	15	—	—	(76)	(42)
Purchases .....	2	1	6	96	—	—	—	—	9	96
Sales .....	(1)	—	—	(19)	—	—	—	—	(1)	(19)
Discoveries and extensions.....	6	2	25	150	—	—	—	—	33	150
Improved recovery.....	3	1	2	32	—	5	—	—	11	32
Production.....	(9)	(10)	(38)	(218)	(1)	(32)	(4)	—	(94)	(218)
End of 2008.....	148	85	187	2,190	—	104	7	—	531	2,190

Note:

- (1) Proved reserves are the estimated quantities of crude oil, natural gas and NGL which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

## Reserves and Production by Principal Area

### Crude Oil and NGL <sup>(1)</sup>

	<b>Proved Reserves</b>	<b>Gross Production</b>
	(mmbbls)	(mmbbls/day)
<b>Canada</b>		
<b>Western Canada</b>		
<b>British Columbia and Foothills</b>		
Alberta and BC Plains area.....	28.6	4.6
Foothills Deep Gas area .....	24.1	5.0
Ram River and Kaybob areas .....	5.7	2.1
<b>Northwest Alberta Plains</b>		
Rainbow Lake area .....	73.9	7.4
Athabasca area.....	6.5	1.9
<b>East Central Alberta</b>		
North area.....	1.5	0.5
South area.....	2.5	0.9
Provost area .....	33.7	15.6
<b>Southern Alberta and Saskatchewan</b>		
South Alberta area.....	25.8	8.3
South Saskatchewan area .....	61.2	14.4
<b>Lloydminster Area</b>		
Primary production .....	91.6	74.5
Thermal production.....	64.7	20.0
<b>Oil Sands</b> .....	—	2.7
<b>Other</b> .....	<u>0.1</u>	<u>0.6</u>
	<u>419.9</u>	<u>158.5</u>
<b>East Coast Canada</b>		
Terra Nova.....	17.9	12.9
White Rose .....	<u>86.3</u>	<u>73.2</u>
	<u>104.2</u>	<u>86.1</u>
<b>China</b>		
Wenchang.....	<u>7.1</u>	<u>12.2</u>
	<u>531.2</u>	<u>256.8</u>

Note:

(1) Gross crude oil and NGL reserves as at December 31, 2008 and average 2008 daily gross production of crude oil and NGL.

**Natural Gas <sup>(1)</sup>**

	Proved Reserves	Gross Production
	(bcf)	(mmcf/day)
<b>Canada</b>		
<b>Western Canada</b>		
<b>British Columbia and Foothills</b>		
Alberta and BC Plains area.....	117.6	48.8
Foothills Deep Gas area .....	466.9	97.2
Ram River and Kaybob areas .....	215.3	71.3
<b>Northwest Alberta Plains</b>		
Rainbow Lake area .....	482.0	72.0
Northern Alberta area.....	158.7	53.5
<b>East Central Alberta</b>		
Provost area .....	128.4	46.6
North area.....	177.8	40.7
South area.....	135.1	51.2
<b>Southern Alberta and Saskatchewan</b>		
South Alberta area.....	49.0	23.5
South Saskatchewan area .....	185.4	41.4
<b>Lloydminster Area</b> .....	73.7	40.2
<b>Other</b> .....	—	8.0
	<u>2,189.9</u>	<u>594.4</u>

Note:

(1) Gross natural gas reserves as at December 31, 2008 and average daily gross production of natural gas.

**Probable Oil and Gas Reserves <sup>(1)</sup>**

	Canada		International	Total	
	Western Canada	East Coast			
	Conventional	Bitumen <sup>(2)</sup>	(mmbbls)		
<b>Crude Oil &amp; NGL</b>					
2008 .....	129	96	64	14	303
2007 .....	149	1,765	100	25	2,039
2006 .....	144	1,127	79	9	1,359
<b>Natural Gas</b>					
2008 .....	458	—	—	258	716
2007 .....	473	—	—	516	989
2006 .....	390	—	—	93	483
<b>Barrels of Oil Equivalent</b>					
2008 .....	206	96	64	57	423
2007 .....	228	1,765	100	111	2,204
2006 .....	209	1,127	79	25	1,440

Notes:

(1) The probable reserves presented have been prepared, using constant prices and costs, in accordance with NI 51-101.

(2) The SEC generally permits oil and gas registrants to disclose only reserves that meet the standards for proved reserves. Due to the higher uncertainty associated with probable reserves, disclosure or reference to probable reserves does not meet the standards for the inclusion in a document filed with the SEC. The disclosure of probable reserves is included herein in accordance with NI 51-101.

## Disclosure about Oil and Gas Producing Activities - Statement of Financial Accounting Standards No. 69

The following disclosures have been prepared in accordance with FASB Statement No. 69 “Disclosures about Oil and Gas Producing Activities” (“FAS 69”):

### *Oil and Gas Reserves*

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved undeveloped reserves are reserves that are expected to be recovered from known accumulations where a significant expenditure is required.

Canadian provincial royalties are determined based on a graduated percentage scale, which varies with prices and production volumes. Canadian reserves, as presented on a net basis, assume prices and royalty rates in existence at the time the estimates were made, and Husky’s estimate of future production volumes. Future fluctuations in prices, production rates, or changes in political or regulatory environments could cause our share of future production from Canadian reserves to be materially different from that presented.

Subsequent to December 31, 2008, no major discovery or other favourable or adverse event is believed to have caused a material change in the estimates of proved or proved developed reserves as of that date.

### Results of Operations for Producing Activities <sup>(1) (2)</sup>

	Canada			International			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
	(\$ millions except per boe amounts)								
Oil and gas production revenue .....	<u>7,667</u>	<u>5,998</u>	<u>5,567</u>	<u>315</u>	<u>288</u>	<u>274</u>	<u>7,982</u>	<u>6,286</u>	<u>5,841</u>
Operating costs									
Lease operating expenses .....	1,469	1,292	1,215	25	21	22	1,494	1,313	1,237
Production taxes .....	93	64	69	—	—	—	93	64	69
Asset retirement obligation accretion .....	<u>44</u>	<u>38</u>	<u>37</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>45</u>	<u>38</u>	<u>37</u>
	1,606	1,394	1,321	26	21	22	1,632	1,415	1,343
Depreciation, depletion and amortization .....	<u>1,457</u>	<u>1,563</u>	<u>1,426</u>	<u>48</u>	<u>52</u>	<u>50</u>	<u>1,505</u>	<u>1,615</u>	<u>1,476</u>
Earnings before taxes .....	4,604	3,041	2,820	241	215	202	4,845	3,256	3,022
Income tax .....	<u>1,409</u>	<u>994</u>	<u>982</u>	<u>74</u>	<u>70</u>	<u>72</u>	<u>1,483</u>	<u>1,064</u>	<u>1,054</u>
Results of operations .....	<u>3,195</u>	<u>2,047</u>	<u>1,838</u>	<u>167</u>	<u>145</u>	<u>130</u>	<u>3,362</u>	<u>2,192</u>	<u>1,968</u>
Amortization rate per gross boe .....	11.58	11.77	11.24	10.93	11.10	11.24	11.56	11.75	11.24
Amortization rate per net boe .....	14.47	14.06	13.09	14.77	14.01	13.50	14.48	14.05	13.10

#### Notes:

- (1) The costs in this schedule exclude corporate overhead, interest expense and other operating costs, which are not directly related to producing activities.
- (2) Under U.S. GAAP, the depreciation, depletion and amortization for Canadian producing activities for 2008 amounted to \$1,435 million (2007 — \$1,507 million; 2006 — \$1,362 million). Income taxes for Canadian producing activities under U.S. GAAP for 2008 amounted to \$1,415 million (2007 — \$1,011 million; 2006 — \$1,005 million).

## Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities <sup>(1)</sup>

	Canada	International	Total
	(\$ millions)		
<b>2008</b>			
Property acquisition			
Proved .....	241	—	241
Unproved.....	244	45	289
Exploration.....	596	240	836
Development .....	2,209	5	2,214
Capitalized interest .....	—	—	—
Total costs incurred	<u>3,290</u>	<u>290</u>	<u>3,580</u>
Less: Proved acquisitions .....	241	—	241
Capitalized interest.....	—	—	—
Finding and development costs .....	<u>3,049</u>	<u>290</u>	<u>3,339</u>
<b>2007</b>			
Property acquisition			
Proved .....	126	—	126
Unproved.....	46	—	46
Exploration.....	580	70	650
Development .....	1,559	6	1,565
Capitalized interest .....	6	—	6
Total costs incurred	<u>2,317</u>	<u>76</u>	<u>2,393</u>
Less: Proved acquisitions .....	126	—	126
Capitalized interest.....	6	—	6
Finding and development costs .....	<u>2,185</u>	<u>76</u>	<u>2,261</u>
<b>2006</b>			
Property acquisition			
Proved .....	97	—	97
Unproved.....	96	—	96
Exploration.....	697	77	774
Development .....	1,637	20	1,657
Capitalized interest .....	23	—	23
Total costs incurred	<u>2,550</u>	<u>97</u>	<u>2,647</u>
Less: Proved acquisitions .....	97	—	97
Capitalized interest.....	23	—	23
Finding and development costs .....	<u>2,430</u>	<u>97</u>	<u>2,527</u>

Note:

(1) Development costs incurred exclude actual retirement expenditures and include asset retirement obligation incurred. Asset retirement obligation incurred for 2008 was \$40 million (2007 - \$39 million; 2006 - \$45 million).

Acquisition costs include costs incurred to purchase, lease, or otherwise acquire oil and gas properties.

Exploration costs include the costs of geological and geophysical activity, retaining undeveloped properties and drilling and equipping exploration wells.

Development costs include the costs of drilling and equipping development wells, facilities to extract, treat and gather and store oil and gas and settle the related asset retirement obligations.

Exploration and development costs include administrative costs and depreciation of support equipment directly associated with these activities.

The following table sets forth a summary of oil and gas property costs not being amortized at December 31, 2008, by the year in which the costs were incurred:

<b>Withheld Costs</b>	<b>Total</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>Prior to 2006</b>
			(\$ millions)		
<b>Property acquisitions</b>					
Canada .....	67	—	—	67	—
International .....	<u>63</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>63</u>
	<u>130</u>	<u>—</u>	<u>—</u>	<u>67</u>	<u>63</u>
<b>Exploration</b>					
Canada .....	1,686	1,248	426	12	—
International .....	<u>408</u>	<u>278</u>	<u>67</u>	<u>63</u>	<u>—</u>
	<u>2,094</u>	<u>1,526</u>	<u>493</u>	<u>75</u>	<u>—</u>
<b>Development</b>					
Canada .....	846	544	302	—	—
International .....	<u>14</u>	<u>1</u>	<u>4</u>	<u>5</u>	<u>4</u>
	<u>860</u>	<u>545</u>	<u>306</u>	<u>5</u>	<u>4</u>
<b>Capitalized interest</b>					
Canada .....	<u>104</u>	<u>—</u>	<u>6</u>	<u>58</u>	<u>40</u>
	<u>3,188</u>	<u>2,071</u>	<u>805</u>	<u>205</u>	<u>107</u>

### Capitalized Costs Relating to Oil and Gas Producing Activities

	<b>Canada</b>	<b>International</b>	<b>Total</b>
	(\$ millions)		
<b>2008</b>			
Proved properties <sup>(1)</sup> .....	21,515	580	22,095
Unproved properties .....	<u>2,703</u>	<u>485</u>	<u>3,188</u>
	24,218	1,065	25,283
Accumulated DD&A .....	<u>10,946</u>	<u>486</u>	<u>11,432</u>
Net Capitalized Costs <sup>(2)</sup> .....	<u>13,272</u>	<u>579</u>	<u>13,851</u>
<b>2007</b>			
Proved properties <sup>(1)</sup> .....	20,830	584	21,414
Unproved properties .....	<u>1,954</u>	<u>243</u>	<u>2,197</u>
	22,784	827	23,611
Accumulated DD&A .....	<u>9,500</u>	<u>456</u>	<u>9,956</u>
Net Capitalized Costs <sup>(2)</sup> .....	<u>13,284</u>	<u>371</u>	<u>13,655</u>
<b>2006</b>			
Proved properties <sup>(1)</sup> .....	19,087	586	19,673
Unproved properties .....	<u>1,932</u>	<u>165</u>	<u>2,097</u>
	21,019	751	21,770
Accumulated DD&A .....	<u>8,141</u>	<u>404</u>	<u>8,545</u>
Net Capitalized Costs <sup>(2)</sup> .....	<u>12,878</u>	<u>347</u>	<u>13,225</u>

Notes:

(1) Capitalized costs related to proved properties include the asset retirement obligations. The asset retirement obligations for the years presented were as follows:

	<b>Canada</b>	<b>International</b>	<b>Total</b>
	(\$ millions)		
2008 .....	488	6	494
2007 .....	454	6	460
2006 .....	415	6	421

(2) The net capitalized costs for Canadian oil and gas exploration, development and producing activities under U.S. GAAP for 2008 were \$12,921 million (2007 — \$12,911 million, 2006 — \$12,449 million). The net capitalized costs for International property oil & gas exploration, development and producing activities under U.S. GAAP for 2008 were \$578 million (2007 — \$370 million, 2006 — \$346 million).

million). Please refer to the Company's Form 40-F for an explanation of the differences between Canadian and U.S. GAAP for oil and gas activities.

### Oil and Gas Reserve Information

In Canada, Husky's proved crude oil, natural gas liquids and natural gas reserves are located in the provinces of Alberta, Saskatchewan, British Columbia, and offshore the East Coast. Husky's international proved reserves are located in China and Libya.

<b>Reserves</b>	<b>Canada</b>		<b>International</b>		<b>Total</b>	
	<b>Crude Oil &amp; NGL</b> (mmbbls)	<b>Natural Gas</b> (bcf)	<b>Crude Oil &amp; NGL</b> (mmbbls)	<b>Natural Gas</b> (bcf)	<b>Crude Oil &amp; NGL</b> (mmbbls)	<b>Natural Gas</b> (bcf)
Net proved reserves <sup>(1) (2) (3) (4)</sup>						
End of year 2005.....	549	1,771	16	—	565	1,771
Revisions .....	9	(71)	—	—	9	(71)
Purchases.....	2	21	—	—	2	21
Sales .....	—	(2)	—	—	—	(2)
Improved recovery .....	16	2	—	—	16	2
Discoveries and extensions.....	56	267	—	—	56	267
Production .....	<u>(77)</u>	<u>(189)</u>	<u>(4)</u>	<u>—</u>	<u>(81)</u>	<u>(189)</u>
End of year 2006.....	<u>555</u>	<u>1,799</u>	<u>12</u>	<u>—</u>	<u>567</u>	<u>1,799</u>
Revisions .....	3	61	—	—	3	61
Purchases.....	1	29	—	—	1	29
Sales .....	(9)	(18)	—	—	(9)	(18)
Improved recovery .....	4	8	—	—	4	8
Discoveries and extensions.....	71	155	—	—	71	155
Production .....	<u>(81)</u>	<u>(180)</u>	<u>(4)</u>	<u>—</u>	<u>(85)</u>	<u>(180)</u>
End of year 2007.....	<u>544</u>	<u>1,854</u>	<u>8</u>	<u>—</u>	<u>552</u>	<u>1,854</u>
Revisions .....	(54)	2	1	—	(53)	2
Purchases.....	8	89	—	—	8	89
Sales .....	(1)	(16)	—	—	(1)	(16)
Improved recovery .....	10	28	—	—	10	28
Discoveries and extensions.....	30	125	—	—	30	125
Production .....	<u>(73)</u>	<u>(170)</u>	<u>(3)</u>	<u>—</u>	<u>(76)</u>	<u>(170)</u>
End of year 2008.....	<u>464</u>	<u>1,912</u>	<u>6</u>	<u>—</u>	<u>470</u>	<u>1,912</u>
Net proved developed reserves, <sup>(1) (2) (3) (4)</sup>						
End of year 2005.....	327	1,413	15	—	342	1,413
End of year 2006.....	442	1,424	12	—	454	1,424
End of year 2007.....	407	1,494	8	—	415	1,494
End of year 2008.....	357	1,524	6	—	363	1,524

Notes:

- (1) Net reserves are the Company's lessor royalty, overriding royalty and working interest share of the gross remaining reserves, after deduction of any crown, freehold and overriding royalties. Such royalties are subject to change by legislation or regulation and can also vary depending on production rates, selling prices and timing of initial production.
- (2) Reserves are the estimated quantities of crude oil, natural gas and related substances anticipated from geological and engineering data to be recoverable from known accumulations from a given date forward, by known technology, under existing operating conditions and prices in effect at year end.
- (3) Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.
- (4) Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are reserves that are expected to be recovered from known accumulations where a significant expenditure is required.

### ***Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves***

The following information has been developed utilizing procedures prescribed by FAS 69 and based on crude oil and natural gas reserve and production volumes estimated by our reserves evaluation staff. It may be useful for certain comparison purposes, but should not be solely relied upon in evaluating Husky or its performance. Further, information contained in the following table should not be considered as representative of realistic assessments of future cash flows, nor should the standardized measure of discounted future net cash flows be viewed as representative of the current value of Husky's reserves.

The future cash flows presented below are based on sales prices, cost rates, and statutory income tax rates in existence as of the date of the projections. It is expected that material revisions to some estimates of crude oil and natural gas reserves may occur in the future, development and production of the reserves may occur in periods other than those assumed, and actual prices realized and costs incurred may vary significantly from those used.

Management does not rely upon the following information in making investment and operating decisions. Such decisions are based upon a wide range of factors, including estimates of probable as well as proved reserves, and varying price and cost assumptions considered more representative of a range of possible economic conditions that may be anticipated.

The computation of the standardized measure of discounted future net cash flows relating to proved oil and gas reserves at December 31, 2008 was based on the NYMEX year-end natural gas spot price of U.S. \$5.41/mmbtu (2007 — U.S. \$7.11/mmbtu; 2006 — U.S. \$5.51/mmbtu) and on crude oil prices computed with reference to the year-end WTI spot price of U.S. \$44.60/bbl (2007 — U.S. \$95.98/bbl; 2006 — U.S. \$60.85/bbl).

<b>Standardized Measure</b>	<b>Canada <sup>(1)</sup></b>			<b>International <sup>(1)</sup></b>			<b>Total <sup>(1)</sup></b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
					(\$ millions)				
Future cash inflows .....	29,640	49,383	37,006	278	952	900	29,918	50,335	37,906
Future production costs .....	11,596	12,394	10,915	99	136	143	11,695	12,530	11,058
Future development costs ...	4,006	4,550	3,406	14	16	14	4,020	4,566	3,420
Future income taxes <sup>(2)</sup> .....	<u>3,667</u>	<u>9,022</u>	<u>6,934</u>	<u>48</u>	<u>252</u>	<u>234</u>	<u>3,715</u>	<u>9,274</u>	<u>7,168</u>
Future net cash flows .....	10,371	23,417	15,751	117	548	509	10,488	23,965	16,260
Annual 10% discount factor .....	<u>4,121</u>	<u>9,039</u>	<u>6,045</u>	<u>8</u>	<u>93</u>	<u>93</u>	<u>4,129</u>	<u>9,132</u>	<u>6,138</u>
Standardized measure of discounted future net cash flows .....	<u>6,250</u>	<u>14,378</u>	<u>9,706</u>	<u>109</u>	<u>455</u>	<u>416</u>	<u>6,359</u>	<u>14,833</u>	<u>10,122</u>

Note:

- (1) The schedules above are calculated using year-end prices, costs, statutory income tax rates and existing proved oil and gas reserves. The value of exploration properties and probable reserves, future exploration costs, future change in oil and gas prices and in production and development costs are excluded.
- (2) Future income taxes at a 10% annual discount factor are \$2,430 million in 2008, \$6,149 million in 2007 and \$4,704 million in 2006.

**Changes in Standardized Measure of Discounted Future Net Cash Flows Relating  
to Proved Oil and Gas Reserves**

	Canada <sup>(1)</sup>			International <sup>(1)</sup>			Total <sup>(1)</sup>		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Present value at January 1 .....	14,378	9,706	10,521	455	416	482	14,833	10,122	11,003
Sales and transfers, net of production costs .....	(6,167)	(4,696)	(4,318)	(294)	(270)	(257)	(6,461)	(4,966)	(4,575)
Net change in sales and transfer prices, net of development and production costs .....	(10,514)	7,380	(1,721)	(338)	265	126	(10,852)	7,645	(1,595)
Development cost incurred that reduced future development costs .....	2,450	1,772	1,640	5	6	20	2,455	1,778	1,660
Changes in estimated future development costs .....	(1,582)	(2,157)	(1,526)	(6)	(4)	(19)	(1,588)	(2,161)	(1,545)
Extensions, discoveries and improved recovery, net of related costs .....	1,572	2,226	1,666	18	13	—	1,590	2,239	1,666
Revisions of quantity estimates .....	107	868	563	12	(13)	(27)	119	855	536
Accretion of discount .....	2,032	1,422	1,601	66	61	70	2,098	1,483	1,671
Sale of reserves in place .....	(104)	(256)	(19)	—	—	—	(104)	(256)	(19)
Purchase of reserves in place .....	368	114	65	—	—	—	368	114	65
Changes in timing of future net cash flows and other .....	155	(575)	263	27	—	(5)	182	(575)	258
Net change in income taxes .....	<u>3,555</u>	<u>(1,426)</u>	<u>971</u>	<u>164</u>	<u>(19)</u>	<u>26</u>	<u>3,719</u>	<u>(1,445)</u>	<u>997</u>
Net increase (decrease) .....	<u>(8,128)</u>	<u>4,672</u>	<u>(815)</u>	<u>(346)</u>	<u>39</u>	<u>(66)</u>	<u>(8,474)</u>	<u>4,711</u>	<u>(881)</u>
Present value at December 31 .....	<u>6,250</u>	<u>14,378</u>	<u>9,706</u>	<u>109</u>	<u>455</u>	<u>416</u>	<u>6,359</u>	<u>14,833</u>	<u>10,122</u>

Note:

- (1) The schedules above are calculated using year-end prices, costs, statutory income tax rates and existing proved oil and gas reserves. The value of exploration properties and probable reserves, future exploration costs, future changes in oil and gas prices and in production and development costs are excluded.

## Description of Major Properties and Facilities

### Description of Major Properties and Facilities

Husky's portfolio of upstream assets includes properties with reserves of light (30° API and lighter), medium (between 20° and 30° API), heavy (20° API and heavier but lighter than 10° API) and bitumen (10° API and heavier) gravity crude oil, NGL, natural gas and sulphur.

#### Lloydminster Heavy Oil and Gas

Husky's heavy oil assets are primarily concentrated in a large producing region in the Lloydminster Alberta/Saskatchewan area. The Company maintains a land position of approximately 1.98 million acres within this area, of which approximately 68% is undeveloped. Approximately 92% of Husky's proved reserves in the region are contained in the heavy crude oil producing fields of Pikes Peak, Edam, Tangleflags, Celtic, Bolney, Westhazel, Big Gully, Hillmond, Mervin, Marwayne, Lashburn, Gully Lake and Rush Lake, and in the medium gravity crude oil producing fields of Wildmere and Wainwright. These fields contain accumulations of heavy crude oil at relatively shallow depths.

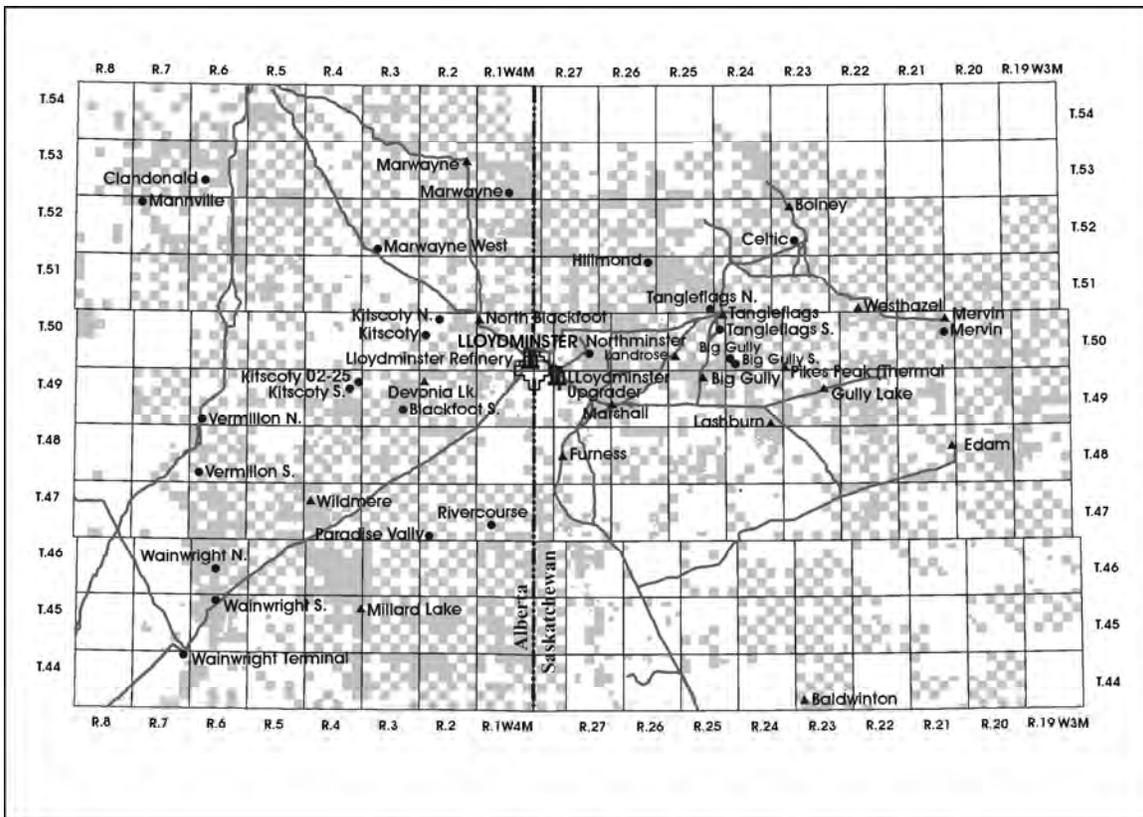
Husky currently produces from oil and gas wells ranging in depth from 450 to 650 metres and holds a 100% working interest in the majority of these wells. Production of heavy oil from the Lloydminster area uses a variety of techniques, including standard primary production methods, as well as steam injection, horizontal well technology and SAGD. Husky has increased primary production from the area through cold production techniques which utilize progressive cavity pumps capable of simultaneous production of sand and heavy oil from unconsolidated formations. Husky's gross heavy and medium crude oil production from the area totalled 94.4

mbbls/day in 2008. Of the total production, 71.7 mbbls/day was primary production of heavy crude oil, including cold production techniques, 19.9 mbbls/day was production from Husky's thermal operations at Pikes Peak (cyclic steam), Bolney/Celtic (SAGD) and the Pikes Peak South pilot (SAGD), and 2.8 mbbls/day was from the medium gravity waterflooded fields in the Wainwright and Wildmere areas. Husky believes that the future growth of crude oil production from this area will be driven by primary heavy oil production, including cold production, and new thermal projects. Husky produces natural gas from numerous small shallow pools in the Lloydminster region. During 2008, Husky's natural gas production from the Lloydminster region averaged 40.2 mmcf/day.

In the Lloydminster area the Company owns and operates 19 oil treating facilities, all of which are tied into the Husky heavy oil pipeline systems. These pipeline systems transport heavy crude oil from the field locations to the Husky Lloydminster asphalt refinery, to the Husky Lloydminster Upgrader and to the Enbridge Pipeline, Express Pipeline and Inter Pipeline Fund systems at Hardisty, Alberta.

The Company is focused on increasing its heavy oil production and believes that its undeveloped land position coupled with the application of improved technologies will sustain heavy crude oil production in the Lloydminster area.

### Lloydminster Area



### British Columbia/Foothills/Northwest Plains

#### Rainbow Lake District

Rainbow Lake, located approximately 700 kilometres north-west of Edmonton, Alberta, is the site of Husky's largest light oil production operation in Western Canada. Husky operates a number of crude oil pools in the Rainbow basin, with an average working interest of 54%. Production in this district is derived from more than 50 oil and gas pools.

Husky uses secondary and tertiary oil recovery methods extensively in the Rainbow Lake district. These methods include injecting water, natural gas and NGL into various sections of the oil reservoirs to enhance crude oil recovery. The use of tertiary recovery programs, such as the miscible flood used at Rainbow Lake, has increased the estimated amount recoverable from discovered petroleum initially in-place from 50% to 70% in certain pools. Historically, only small volumes of gas and NGL have been marketed from the Rainbow Lake

district prior to 2002. In 2003, the recovery of natural gas commenced from several pools. Husky uses horizontal drilling techniques, including the re-entry of existing well bores, to maintain the level of crude oil production and to increase recovery rates. Husky plans to continue exploration efforts to supplement its development initiatives in the Rainbow Lake district. Husky's gross production from this area averaged 7.2 mbbbls/day of light crude oil and NGL and 24.6 mmcf/day of natural gas during 2008.

Husky holds a 50% interest in, and operates, the Rainbow Lake processing plant. The processing design rate capacity of the plant is 69 mbbbls/day of crude oil and water and 230 mmcf/day of raw gas. The extraction design capacity is 17 mbbbls/day of NGL.

Husky also has a 100% interest in a compression and dehydration facility at Bivouac that has a capacity to process 20 mmcf/day. In 2008, throughput at this facility averaged 17.0 mmcf/day. Husky's strategy in respect of this area is to drill and tie-in eight to ten development wells per year to fully load the facility in 2009. Husky is advancing plans to expand production to 40-50 mmcf/day from this area in the 2011-2013 timeframe.

Husky holds an interest in two significant non-operated properties in the Rainbow Lake District. They include the Ekwan/Sierra property in north-eastern British Columbia and the Bistcho property in Northwest Alberta. Husky's gross production from these properties currently averages 12.7 mmcf/day of natural gas and 44 bbls/day of liquid hydrocarbons. Husky also holds a working interest in the Encana Sierra gas plant and the Paramount Bistcho gas plant for processing this production. In October 2008, Husky completed an asset exchange divesting its interest in the Sierra area to increase its interest and gain operatorship of the Ekwan non-operated assets which have greater development potential. The Company is active in both these areas with development and exploration drilling. Husky holds in excess of 200,000 acres of undeveloped land in these two areas.

#### ***North East Alberta District***

The North East Alberta District is located approximately 200 kilometres north-east of Edmonton, Alberta and is comprised primarily of shallow gas production and is currently developing primary heavy oil production. Natural gas is produced from the Clearwater, Colony, McMurray and Wabasca or a combination of these zones that lie at a depth of approximately 600 metres. In 2008, gross natural gas production from this district averaged 54.9 mmcf/day. Husky's largest property in the district is at Muskwa, which consists of a 32 mmcf/day dehydrator facility, 6,255 horsepower of compression and a gathering system that collects natural gas from an area seven townships in size. Husky gross production from Muskwa averaged 10.2 mmcf/day in 2008. The Company is also expanding its primary heavy oil production base in this district with a development program at Cadotte where primary heavy oil production increased from 700 bbls/day in January, 2008 to 3,100 bbls/day by December, 2008. Primary heavy oil production tests are currently underway in both the Amadou and McMullen areas. In 2009, Husky plans to continue to undertake recompletions and work-overs to increase production and add natural gas reserves at a low unit cost and take advantage of existing infrastructure and capacity. The Company will continue technical evaluations on its primary heavy oil assets to position for development when market conditions improve.

#### ***High Level District***

The High Level district of Alberta is approximately 600 kilometres northwest of Edmonton, Alberta. Husky is the operator and holds close to 100% working interests in its properties. The area contains shallow Bluesky natural gas reservoirs that are characterized as low deliverability and low decline. In 2008, gross production from this area averaged 17.6 mmcf/day of natural gas.

#### ***Ram River District***

The Ram River district is located in west central Alberta and includes the large Blackstone, Ricinus and Clearwater/ Limestone natural gas fields.

The Blackstone field is the most prolific of these fields and contains four high deliverability natural gas wells, capable of combined raw gas production of 31.5 mmcf/day. Husky holds a 34% interest in two unitized wells, and a 24% and 50% interest, respectively, in two non-unit wells, and acts as the contract operator of the Blackstone field. Production from the area is processed at the Ram River gas plant.

Husky holds an average 72% interest in and operates the Ram River sour gas plant and related processing facilities. The Ram River plant has the capacity to process 622 mmcf/day of sour gas, resulting in sales gas capacity of 525 mmcf/day. The plant also has the capacity to produce in excess of 2.8 mlt/day of sulphur from raw gas. During 2008, the plant operated at approximately 65% of its approved inlet raw gas capacity. The Ram River plant processes in excess of 10% of the Company's total gross natural gas production. This includes an average of 35 mmcf/day of Husky gross production from the Blackstone, Brown Creek, Cordel and Stolberg fields and an

average of 14.6 mmcf/day Husky gross production from Ricinus and Clearwater/Limestone and Benjamin fields. In addition the Company processes third-party volumes. Gross production from the Strachan, Ferrier and North Blackstone areas, which is processed at other gas plants, averaged 10.7 mmcf/day of natural gas, bringing total Husky gross production of natural gas from the Ram River district to 71.3 mmcf/day in 2008. The Company's 2009 plans for the Ram River district include continued exploration and development drilling in Ferrier and North Blackstone including evaluation of deeper targets.

Husky has a sour gas pipeline network that supports the Ram River plant. Husky operates a network of 845 kilometres of sour gas pipelines in the Ram River district and holds a 30% interest in 684 kilometres of this pipeline system. The sour gas processed at the Ram River plant is produced from 18 sour gas fields located as far as 145 kilometres from the Ram River plant.

Husky believes that the Ram River plant and the extensive infrastructure of gathering pipelines, transmission systems and rail lines, which support the plant, represents a strategic base for natural gas exploration and development planned in this part of the foothills region.

In addition, other companies are actively pursuing exploration and production activities in this area which may provide additional opportunities for generating third party natural gas processing revenue. In 2008, net processing income increased from \$19.8 million in 2007 to \$49.9 million due, in part, to additional Shell Tay River natural gas volumes, continued activity along the Chungo Mississippian trend and additional processing of third party re-melt sulphur volumes.

### ***Kaybob District***

The Kaybob District consists of land located in the Fox Creek region of Alberta and is divided into three areas. The Kaybob South Triassic Unit 1 (40.5% working interest), Kaybob South Triassic Unit 2 (26.8% working interest), and non-unit lands (various working interests from gross overriding royalty to 100% working interest). Husky divested of its 35.6% working interest in the Kaybob South Beaverhill Lake Unit #1 effective January 1, 2008.

Husky has a 13.2% working interest in the sour gas portion and a 17.8% working interest in the sweet gas portion of the plant. The interests in the plant reflect Husky's divestiture of 4.6% working interest in the Kaybob amalgamated plant when Husky divested its interest in the Beaverhill Lake Unit #1 January 1, 2008. The Company also has various working interests in sweet gas gathering and compression facilities in the area. During 2008, Husky gross production from this district was 688 bbls/day of crude oil and NGL and 9.7 mmcf/day of natural gas.

### **Alberta/British Columbia Plains District**

#### ***Boundary Lake Area***

Husky holds a 50% working interest in the Boundary Lake Gas Unit and a 34% and 19% interest in the Boundary Lake oil unit 1 and 2, respectively, in north-east British Columbia. Husky natural gas production from this area is derived from five Belloy sour gas pools, and is processed at the nearby Boundary Lake processing plant. Husky gross production from this area was 7.5 mmcf/day of natural gas and 1,362 bbls/day of crude oil and NGL during 2008.

#### ***Valhalla and Wapiti Area***

Husky holds an approximate 30% interest in three Valhalla oil units, a 100% interest in the Valhalla non-unit waterflood wells and a 100% interest in the Wapiti property. Production is primarily from the Doe Creek and Cardium zones and consists of light crude oil, NGL and natural gas. Husky gross production from these properties averaged 2,608 bbls/day of crude oil and NGL and 7.1 mmcf/day of natural gas in 2008. The Company's plans for this area in 2009 are to continue optimizing Husky's Valhalla assets to improve waterflood conformance and arrest declining production in the main Doe Creek I pool.

#### ***Kakwa Area***

Husky holds an average 60% working interest in oil and gas processing facilities and associated oil and gas gathering systems in the Kakwa area. Husky gross production from this area was 10.8 mmcf/day of natural gas and 486 bbls/day of crude oil and NGL in 2008.

### ***Lynx, Copton and Grande Cache Areas***

Husky plans to continue to focus on development in the Lynx/Copton/Grande Cache areas of western Alberta with the drilling of 1.5 net wells and tie-in of 2.5 net wells in 2008. During 2008, Husky average gross production was 18.8 mmcf/day of natural gas. The Company plans to continue to develop these properties in 2009 to increase gross production to 25 mmcf/day of natural gas.

### **Foothills West District**

#### ***Caroline Area***

Husky holds an 11% working interest in the 32,000 acre Caroline natural gas field located approximately 97 kilometres north-west of Calgary. The field has a high proportion of NGL and as a result the economics of this field are enhanced.

Husky also holds an 11% interest in the Caroline sour gas processing facility. The plant is presently running at 62% utilization based on design capacity and is processing approximately 93 mmcf/day of total plant sales gas and 15,575 mbbls/day of NGL. Husky gross production was 1,748 bbls/day of NGL and 4.5 mmcf/day of natural gas in 2008. In 2008, the newly installed low pressure steam recovery unit was started up to displace approximately one third of the plant's external power consumption.

#### ***Edson Area***

Husky holds and operates an average 85% working interest in two gas processing facilities and associated gas gathering systems in the Edson area. Husky's gross production from these properties averaged 39.4 mmcf/day of natural gas and 1,627 bbls/day of NGL in 2008. The 2008 development drilling program consisted of 30 gross wells. In 2008, Husky installed 4,100 horsepower of additional field and plant inlet booster compressors at Ansell and Galloway to reduce the gathering system pressure and improve overall field recovery. The Company plans to drill 5 gross gas wells in 2009 to maintain average production at 38 mmcf/day and improve drainage of the reservoir.

#### ***Sikanni and Federal Areas***

Husky holds interests in properties in the Sikanni and Federal areas of north-east British Columbia, which averaged gross production of 14.9 mmcf/day of natural gas from six wells in 2008. Husky natural gas production flows through its gathering systems for processing at third party plants at Sikanni and McMahon. In March 2008, Husky completed the tie-in of a discovery well in the Federal area, which added 10.5 mmcf/day of additional production, commencing April 2008.

#### ***Graham Area***

Husky holds a 40% working interest in lands in the Graham area of northeastern British Columbia. Husky gross production from this area in 2008 averaged 5.0 mmcf/day of natural gas. Production from the property is from one Halfway and seven Baldonnell pools. Husky also holds an interest in two 1,500 horsepower compressor stations and the non-operated Cypress gas plant. Plant capacity is 45 mmcf/day and the plant is currently operating at 57% capacity. The Company holds a 33.2% interest in the gas treating unit, 28.2% interest in the amine unit and 28% interest in the sulphur unit.

#### ***Grizzly Valley and Bullmoose Area***

Husky holds a 33-50% working interest in four wells in this new exploration area. Husky and a partner in the area have agreed to terms with a custom processor to construct a gathering system into the Grizzly Valley to transport production into Alberta for processing. The gathering system is expected to be completed by the middle of 2010. Husky's total capacity in the system will be 30 mmcf/day. Husky is currently flowing natural gas production through interruptible capacity in the Duke system and averaged 7.2 mmcf/day of gross natural gas production from this area in 2008. The Company plans to drill and complete 1.5 net wells in 2009 to establish sufficient deliverability to meet its capacity commitment in 2010.

### **East Central Alberta**

#### ***Red Deer and Hussar Districts***

The core of the Red Deer and Hussar districts is located between Calgary, Drumheller and Sylvan Lake. Husky

operates 21 facilities with gas gathering systems in these districts. Husky gross production from this area averaged 76.2 mmcf/day of natural gas and 2.4 mmbbls/day of crude oil and NGL in 2008. Husky intends to continue to develop the natural gas potential of these districts with infill, step out and exploratory wells to optimize gas recovery and develop new pools in order to operate the facilities at capacity. The Company is involved in coal bed methane development in this district. During 2008, 126 gross coal bed methane wells were drilled, to total 636 gross wells at year end. There were 546 producing coal bed methane wells at year-end that were producing a total of 56 mmcf/day (27 mmcf/day Husky's share) of natural gas. Husky's development plan for 2009 has been significantly reduced due to lower returns in the current price environment. Husky plans to drill approximately 40 wells in an undeveloped area, and expects to hold Husky gross production at approximately 25 mmcf/day of natural gas from coal bed methane.

### ***Provost District***

The centre of the Provost district is approximately 240 kilometres south-east of Edmonton. It is predominantly a medium crude oil area that averaged gross production of 14.1 mmbbls/day of crude oil and 21.6 mmcf/day of natural gas in 2008. Husky intends to increase efforts to reduce operating costs and improve oil recovery. There is significant competition in the area for land as well as infrastructure. Husky has a large land position and maintains close to a 100% working interest in most of its facilities. In 2009, Husky intends to continue to develop several 2005 to 2007 natural gas and oil discoveries.

### ***Athabasca District***

The Athabasca district extends approximately 175 kilometres north of Edmonton, and from the Alberta-Saskatchewan border in the east, to the Alberta foothills in the west. The area target is predominantly shallow gas, ranging from 450-900 metres in the multi-zone Palaeozoic Mannville formation. The main producing areas are Athabasca, Craighend and Cold Lake. Husky operates 32 facilities with a pipeline system and an average working interest of 90% in the producing wells. Husky intends to continue developing this area with infill, step out and exploratory wells to optimize recovery and develop new pools at a reduced pace from past years in light of the current market conditions. Husky gross production from this area averaged 40.7 mmcf/day of natural gas and 495 bbls/day of crude oil in 2008.

## **Southern Alberta and Southern Saskatchewan**

### ***Southern Saskatchewan District***

Husky is a prominent operator in southern Saskatchewan primarily producing medium gravity crude oil, with some natural gas and light crude oil. Husky gross production from properties in this district averaged 22.9 mmbbls/day of crude oil and 60.8 mmcf/day of natural gas during 2008.

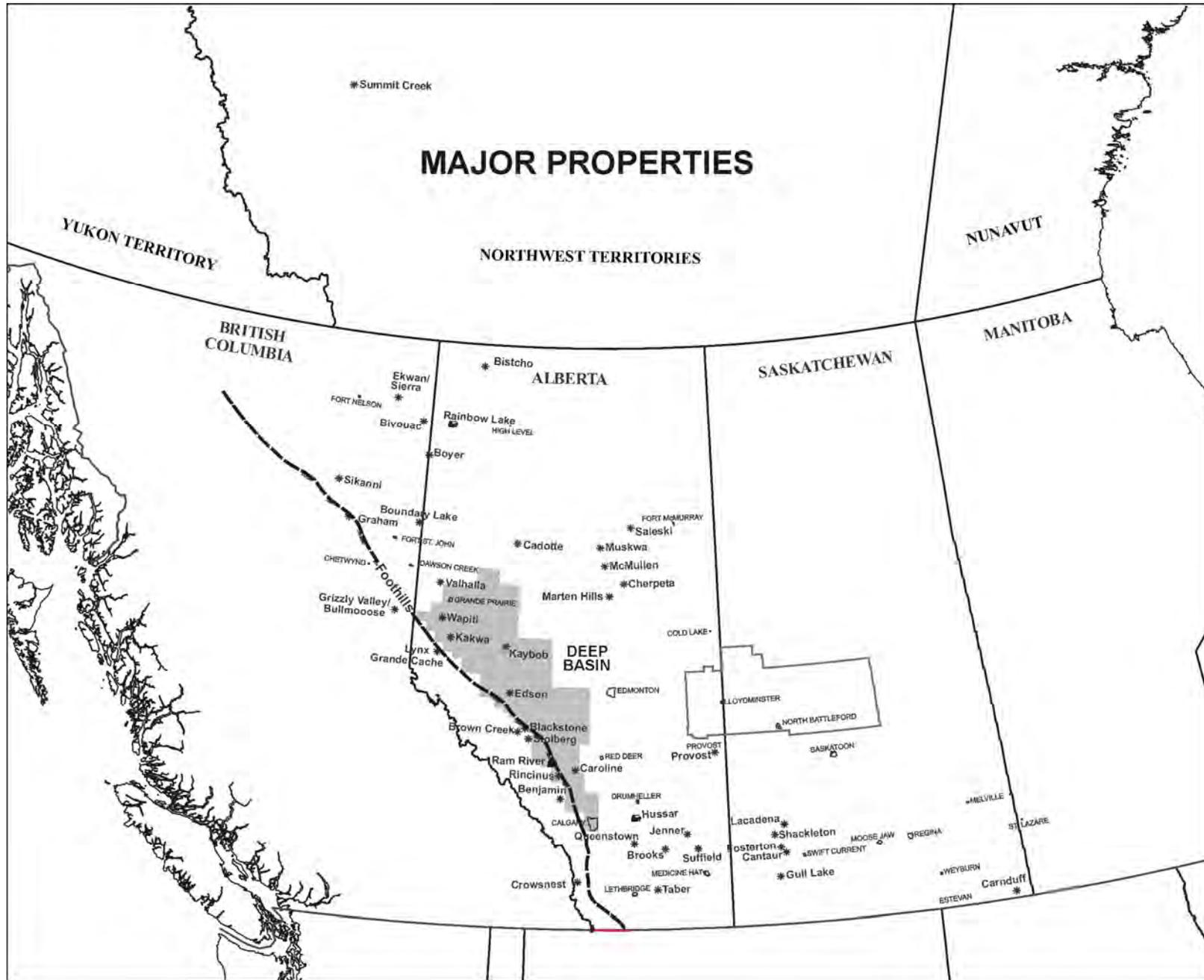
Husky operates 32 oil batteries and 8 gas facilities in the southern Saskatchewan district. The oil pools in this area are exploited using pressure maintenance and waterflood recovery operations.

At the Shackleton/Lacadena Milk River shallow gas project, 127 wells were drilled and 87 were tied-in in 2008. The remaining 40 wells will be tied-in in Q1/09. The project was producing at a rate of 31.4 mmcf/day of natural gas at December 31, 2008 from a total of 627 wells.

At Gull Lake North an alkaline surfactant polymer flood ("ASP") is under construction. The first phase of drilling was completed in 2008 (27 wells), and the facility was approximately 60% complete at December 31, 2008. Project completion is expected by June, 2009.

### ***Southern Alberta District***

Taber and Brooks are Husky's two major centres in southern Alberta. Husky operates 28 oil facilities and 3 natural gas facilities with an average working interest of 95%. Oil production is mainly medium gravity crude with the majority of reserves being supported by waterfloods or active aquifers. Natural gas production is from a mixture of deep and shallow formations. At Warner, near Taber, Husky operates a recently implemented alkaline-polymer flood to increase recovery from the Cretaceous Mannville reservoir and Husky implemented an additional ASP flood at Crowsnest in 2008. Husky gross production from this district averaged 8.3 mmbbls/day of crude oil and 23.5 mmcf/day of natural gas during 2008.



## **Oil Sands**

### **Athabasca, Cold Lake and Peace River**

Husky currently holds interests in 779,267 acres in the bitumen prone areas of Athabasca, Cold Lake and Peace River.

#### ***Tucker***

At Tucker, an in-situ SAGD oil sands project located 30 kilometres northwest of Cold Lake, Alberta, production commenced at the end of 2006. Production from the initial 32 well pairs was slow to ramp-up as anticipated, largely due to the position of some wells relative to the water saturation zone of the reservoir. At the end of 2007, eight new well pairs had been completed. Optimization strategies were conducted through 2008 on existing well pads and the eight new well pairs on Pad C resulting in encouraging production response. Production during December 2008 averaged 4.8 mbbls/day. Drilling of eight new well pairs on Pad D has been deferred pending improved market conditions.

#### ***Sunrise***

During the fourth quarter of 2007, agreement, in principle, was reached with BP to create an integrated North American oil sands business consisting of upstream and downstream assets based on Husky's Sunrise holdings and BP's Toledo, Ohio, USA Refinery. The business consists of a 50/50 partnership to develop the Sunrise oil sands project contributed and operated by Husky and a 50/50 limited liability company for the Toledo Refinery contributed and operated by BP. Details of the agreement were finalized in the first quarter of 2008.

The front-end engineering design ("FEED") continues to progress for the Sunrise in-situ SAGD oil sands project, located in the Athabasca region of northern Alberta. Site preparation, including clearing of development areas at the central plant site and five well pads is nearly complete. Detailed engineering is expected to begin mid 2010.

The Sunrise Project was approved by the Energy Resources Conservation Board ("ERCB") in December, 2005. An amendment application was submitted in March of 2007, which outlines changes and optimizations resulting from ongoing depletion planning and front-end engineering design. Amendment approvals from the ERCB were received in December 2008 and approval from Alberta Environment is expected by the end of the first quarter of 2009. Collaboration with various industry participants on regional infrastructure issues, including an access road and aerodrome, is underway. Bitumen production is expected to commence approximately four years following project sanction and is currently planned to increase to 200 mbbls/day. The project is currently in an optimization phase to simplify the project's scope and take advantage of the recent downturn in the demand for goods and services. Subject to regulatory and government approval, the partners will review the project sanction decision in 2009 for formal approval in mid 2010. The development of this project is strategically linked to the repositioning project at the BP-Husky Toledo Refinery.

#### ***Saleski/Caribou/McMullen***

At Saleski, Husky acquired oil sands leases totalling 16,640 acres in 2008. Husky now holds 258,400 acres in this area, which is located approximately 120 kilometres west of Fort McMurray, Alberta. Husky drilled seven vertical and one horizontal stratigraphic test wells during the 2007/2008 winter drilling season. In addition, development planning continued regarding water source and disposal wells and the appropriate bitumen recovery technique for Saleski.

At Caribou, Husky completed the drilling of five stratigraphic test wells and tested one water source well and one water injection well during the 2008/2009 winter drilling season.

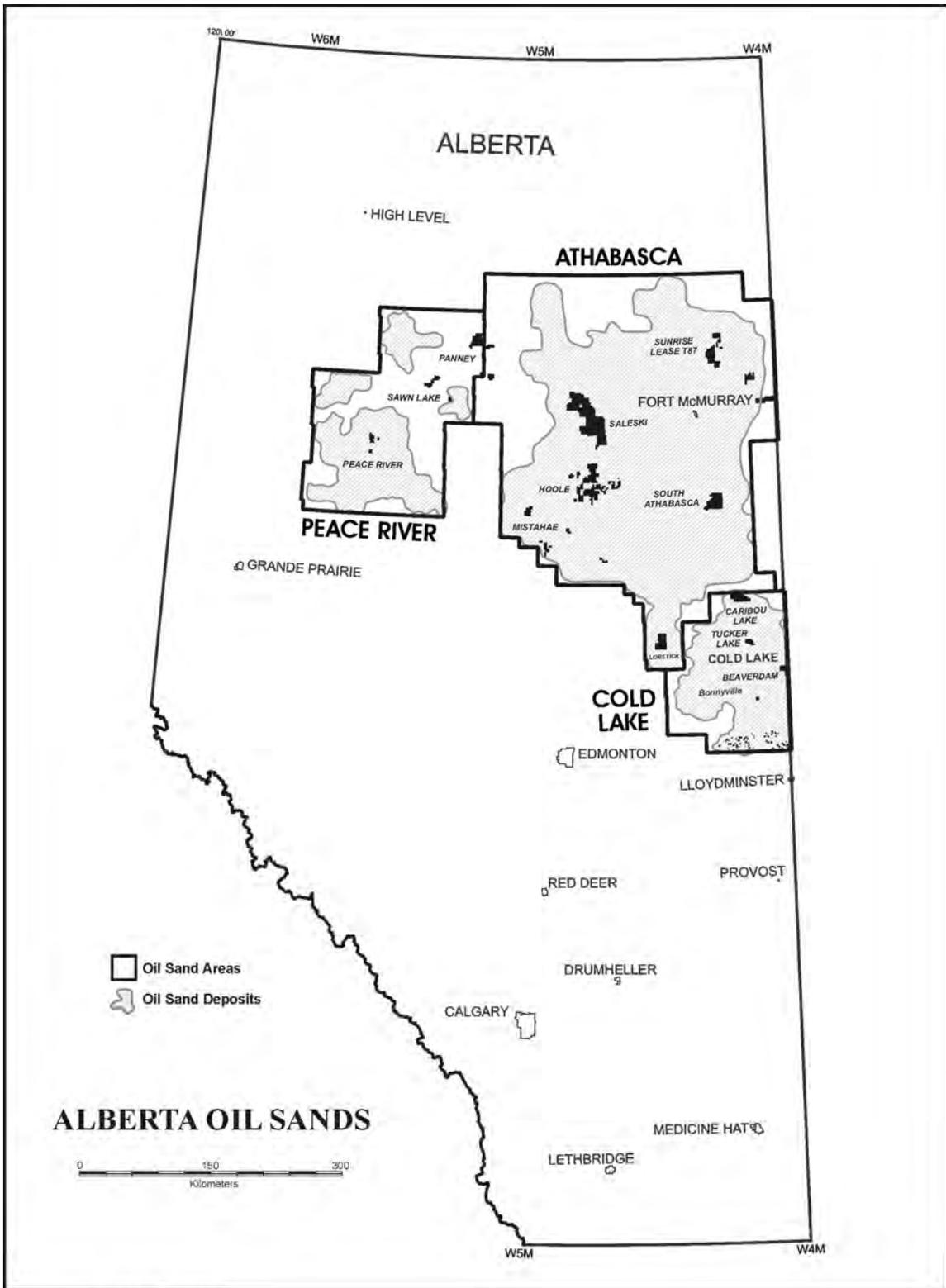
At McMullen, we acquired 108,800 acres of oil sands leases in January 2008. Husky has identified and prioritized an area for a potential thermal pilot development, drilled 22 stratigraphic test wells, three water source wells, initiated an 8,400 acre 3-D seismic program, and completed the front-end engineering and design for a small scale thermal pilot. In December 2008, a joint application was submitted by Husky to both the ERCB and Alberta Environment for the construction and operation of a 500 bbl/day thermal pilot project. In addition, the development of a long term strategy for this asset is progressing.

## Oil Sands Leases

General Location Name	Oil Sands Area	Gross Acres	Net Acres	Husky Operator
South Athabasca — overriding royalty .....	Athabasca	35,601	—	No
South Athabasca .....	Athabasca	22,672	11,656	Yes
Sunrise — In situ <sup>(1)</sup> .....	Athabasca	64,034	64,034	Yes
South Sunrise	Athabasca	40,320	40,320	Yes
Misthae (Drowned, Martin Hills W. & Spur) .....	Athabasca	28,160	28,160	Yes
Misthae (McMullen)	Athabasca	108,800	108,800	Yes
Saleski .....	Athabasca	258,400	258,400	Yes
Hoole — overriding royalty .....	Athabasca	47,040	—	No
Beaverdam .....	Cold Lake	11,520	11,520	Yes
Caribou <sup>(2)</sup> .....	Cold Lake	35,840	35,840	Yes
Lobstick .....	Cold Lake	37,120	37,120	Yes
Tucker .....	Cold Lake	10,080	10,080	Yes
Panny (Senex & Welstead) .....	Peace River	50,560	50,560	Yes
Peace River (Cadotte Lake) .....	Peace River	11,840	11,840	Yes
Sawn Lake (Loon) .....	Peace River	17,280	17,280	Yes
		<u>779,267</u>	<u>685,610</u>	

### Notes:

- (1) Included in the gross and net amounts are an additional 6,400 acres of petroleum and natural gas rights held as protection acreage for gas over bitumen issues. In 2003, the Alberta regulatory authority issued General Bulletin GB 2003-28 that required natural gas wells within certain bitumen prone areas to be shut-in. The production of natural gas where natural gas reservoirs were believed to be in pressure contact with bitumen reserves was deemed to present an unacceptable risk to future in-situ bitumen production. Sunrise was formerly named Kearl.
- (2) Husky also has the exclusive right to acquire an additional 65,280 acres in the Caribou area.



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## **Northwest Territories**

In the Northwest Territories Husky has a focused land position in the Central Mackenzie Valley consisting of EL 397, EL 423, EL 441 and EL 443. In addition, the Company has interests in several freehold blocks. During 2008, Husky was granted SDLs for the Summit Creek B-44 and Stewart D-57 discoveries. Two exploration wells were drilled in the first half of 2008 on EL 423. Both wells were abandoned without testing. No activity is planned for 2009. Husky holds a 75% working interest in this play.

## **Offshore East Coast — Canada**

Husky's offshore East Coast exploration and development program is focused in the Jeanne d'Arc Basin offshore Newfoundland and Labrador, which contains the Hibernia, Terra Nova and White Rose oil fields. Husky is the operator of the White Rose oil field and satellite tiebacks and holds a working interest in Terra Nova as well as in a number of smaller undeveloped fields in the central part of the basin. Husky also holds significant exploration acreage including five SDLs on the Labrador shelf.

### ***White Rose Oil Field***

The White Rose oil field is located 354 kilometres off the coast of Newfoundland, approximately 48 kilometres east of the Hibernia oil field, on the eastern rim of the North American continental shelf. Husky's interest in the core White Rose oil field development is 72.5%. Husky is also the operator of the White Rose satellite tiebacks, which include North Amethyst, West White Rose and the South White Rose Extension, with a 68.875% working interest.

White Rose was the third oil field developed offshore Newfoundland and Labrador, achieving first production on November 12, 2005. During 2008, development drilling included an eighth production well, as well as one water injector and one gas injector. Husky transports White Rose crude oil to market with three chartered shuttle tankers.

During 2008, work progressed on formal subordinate agreements to the Framework Agreement signed during 2007 with the Government of Newfoundland and Labrador on fiscal terms for the White Rose satellite oil fields. Under the terms of the agreements, the province's energy corporation, "Nalcor Energy" has purchased a 5% equity interest in the White Rose growth lands, which include identified pools at North Amethyst, South White Rose Extension and West White Rose. The purchase price is subject to adjustment based on subsequent reserves determination. Husky intends to develop the growth lands through a series of subsea tiebacks to the *SeaRose FPSO*. Husky will remain the project operator, and will retain a 68.875% working interest in the growth lands. The existing partnership and fiscal terms for the White Rose core field are unchanged. The fiscal terms for the satellite tiebacks also provide for a 6.5% "Tier 3" super royalty to be paid after Tier 2 payout has been achieved and when oil is above WTI U.S. \$50/bbl.

Delineation wells were completed at both the North Amethyst and West White Rose satellite fields in the fourth quarter of 2008, the results of which continue to be assessed.

Progress continues on the first White Rose satellite tie-back at North Amethyst. Necessary government, corporate and regulatory approvals for the expansion were received during 2008 and Temporary Guide Bases were placed in protective glory holes in August 2008. Systems integration testing will take place in spring 2009, with subsea equipment and flow lines to be installed and tied back to the *SeaRose FPSO* production vessel in summer 2009. The overall project is on schedule for first oil in late 2009 / early 2010.

At West White Rose, Husky continues to evaluate results of the latest test well, with a view towards optimizing reservoir depletion. The Company anticipates filing relevant development applications with the regulator during 2009.

Husky has and will continue to consider technical options for the development of natural gas in the Jeanne d'Arc Basin and intends to proceed with technical screening of a short list of proposed solutions and review of high level cost estimates. In parallel and pending rig availability, exploration and delineation drilling will improve estimates of the resource base ahead of future development.

### ***Terra Nova Oil Field***

The Terra Nova oil field is located approximately 350 kilometres south-east of St. John's, Newfoundland and Labrador in 91 to 100 metres of water. The Terra Nova oil field is divided into three distinct areas, known as the Graben, the East Flank and the Far East. Husky's current pooled interest in the Terra Nova field is 12.51%. This interest is subject to change, pending the completion of a re-determination process which commenced in 2008 and is expected to be finalized before the end of 2010. Production at Terra Nova commenced in January 2002.

Husky's gross share of production in 2008 from the Terra Nova field was 4.8 mmbbls or an average 12.9 mbbls/day.

As at December 31, 2008, there were 14 development wells drilled in the Graben area, 8 production wells, three water injection wells and 3 gas injection wells. In the East Flank area there were eleven development wells including six production wells and five water injection wells. There is one extended reach producer and an extended reach water injection well in the Far East Central area. Terra Nova completed the latest phase of the development drilling program in August 2007. Drilling operations are expected to resume for approximately 6 months in 2009.

### ***East Coast Exploration***

Husky believes that the areas offshore Canada's East Coast possess high impact exploration potential and its lands will provide growth opportunities in the medium to long-term. Husky presently holds working interests ranging from 5.33% to 73.125% in 16 SDLs in the Jeanne d'Arc Basin. Husky also holds interests ranging from 17.1% to 42.0% in six SDLs on the Labrador Shelf, a region that could be significant, in the long-term, for natural gas reserves.

As of December 31, 2008, Husky held a working interest in 17 ELs on the East Coast of Canada: 10 in the Jeanne d'Arc Basin, two in the Flemish Pass basin, two in the Central Ridge Complex, one in the Sydney basin and two in Labrador totalling 15,360 square kilometres (3.8 million acres).

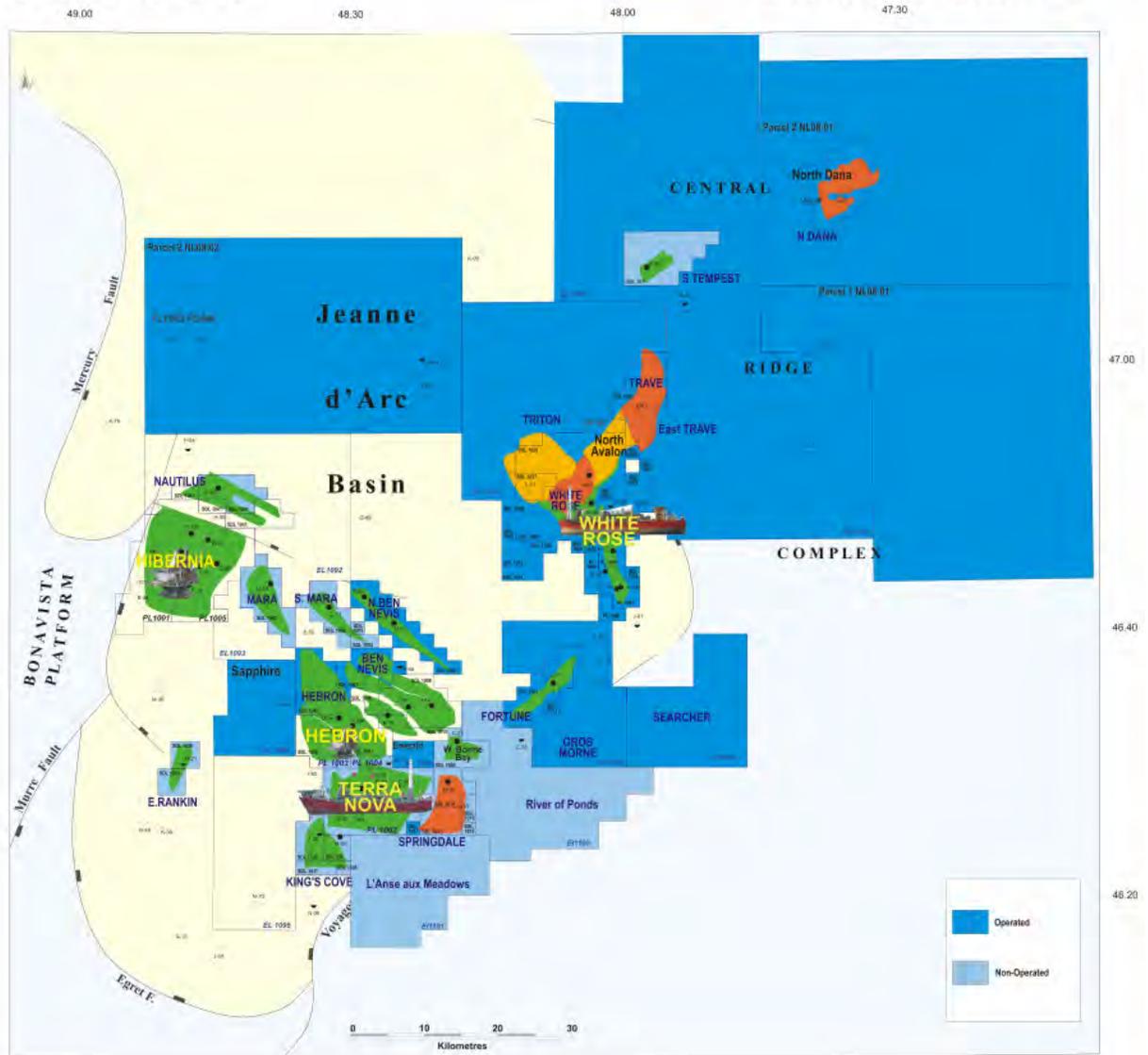
In the Jeanne d'Arc basin, Husky joined with PetroCanada and StatoilHydro in a rig sharing agreement that resulted in the return of the Henry Goodrich rig to the Grand Banks region. Husky participated in its largest offshore seismic acquisition program to date, covering 2,150 square kilometres including the Terra Nova and White Rose areas and portions of ELs, 1090, 1091, 1099, 1100 and 1101. Husky continues to evaluate drilling opportunities in the context of its full portfolio of East Coast land holdings.

Husky farmed into StatoilHydro's EL1049 in the Flemish Pass basin and is participating in the drilling of the deep-water exploration well Mizzen O-16 (Husky 35% interest). At the 2008 land sale, Husky acquired one new exploration licenses located in the Flemish Pass.

On the Labrador Shelf, Husky is operator of the Hekja (Husky 42% interest) and Hopedale (Husky 19.4% interest) natural gas discoveries. In 2008, the Canada Newfoundland and Labrador Offshore Petroleum Board awarded four ELs on the Labrador Shelf marking the return of the oil industry to this long dormant area. Husky acquired two ELs at the 2008 land sale. Husky's extensive grid of 2-D seismic over of the Labrador Shelf was used to evaluate the blocks. A 3D seismic program and additional 2D seismic acquisition are planned for 2010.

East Coast  
Jeanne d'Arc Basin

Husky Working Interest Lands



## International

Husky's international exploration and development programs are currently located in Southeast Asia and Greenland. In China, the Company has a 40% interest in one offshore oil producing operation at Wenchang and a 100% interest in six exploration blocks in the South China Sea and one in the East China Sea. In Indonesia, the Company has a 50% interest in the Madura Strait block production sharing contract ("PSC"), 100% interest in the North Sumbawa II exploration block and a 100% interest in the Bawean II exploration block.



### China

#### South China Sea

##### Wenchang

The Wenchang oil field is located in the western Pearl River Mouth Basin, approximately 400 kilometres south of Hong Kong and 100 kilometres east of Hainan Island. Husky holds a 40% working interest in the oil fields, which commenced production in July 2002. The Wenchang 13-1 and 13-2 oil fields are producing from 29 wells in 100 metres of water into a floating production, storage and offloading vessel stationed between fixed platforms located in the fields. The blended crude oil from the two fields averages approximately 35° API, similar to the benchmark Minas blend. At December 31, 2008, Husky gross proved reserves at Wenchang were 7.2 mmbbls of crude oil and NGL. Husky gross production averaged 12.0 mbbbls/day during 2008.

##### Block 39/05

Husky executed a PSC with CNOOC for the 39/05 exploration block surrounding the Wenchang fields on October 1, 2001. CNOOC has the right to participate in development of any discoveries up to a 51% working interest. In January 2003, the Qionghai 18-1-3 exploration type stratigraphic well on the block was plugged and abandoned without testing and in February 2003, the Wenchang 8-1-1 exploration type stratigraphic well was plugged and abandoned without testing. Husky relinquished 25% of Block 39/05 in 2004, 25% in 2006, and in 2008 the remainder of the block with the exception of a 14,159 acre area (57.3 sq. km.) around Prospect QH29-2.

Husky is currently in Phase III, the final exploration phase of the PSC expiring March 31, 2009. In accordance with the contract, the Company committed to drilling a third exploration well, which spud on January 22, 2009.

#### *Block 29/26*

Husky executed a PSC with CNOOC for the 29/26 exploration block on October 1, 2004. The block is located in the South China Sea approximately 300 kilometres south-east of Hong Kong and 65 kilometres south-east of the Panyu gas discovery. The block covers an area of approximately 734,777 acres (2,973.6 sq. kms), after the 25% relinquishment at the end of Phase I in 2007. CNOOC has the right to participate in the development of any discoveries up to a 51% working interest. Husky completed a drilling program in 2006, with the drilling of the Liwan 3-1-1 natural gas discovery. The well location was chosen based on 2-D seismic data and drilled to a total depth of 3,843 metres on a large structure with 14,826 acres of closure and encountered 56 metres of net natural gas pay on logs over four zones. This well was drilled in water 1,500 metres deep. In August 2006, Husky shot a 98,842 acre (400 sq. kms) seismic survey over Liwan 3-1-1 and the adjacent structures. In January 2007, the Company signed a 3 year contract with Seadrill Offshore AS for the deep water semi-submersible drilling rig, *West Hercules*. In preparation for the *West Hercules*, delineation drilling and further exploration drilling, the Company signed a contract with China Offshore Seismic Limited for the acquisition of 646,180 acres (2,615 sq. kms) of 3-D seismic data in 2007. The seismic program was commenced in 2007 and completed in the second quarter of 2008. The *West Hercules* arrived on location at Liwan on November 4, 2008 and spud the first appraisal well on November 20, 2008. The rig will drill a four well delineation program. Husky also plans to conduct further exploration drilling on the block. In order to further accelerate the Liwan 3-1 development, a number of preliminary engineering studies were completed in late 2007 to conceptualize facilities options covering a range of potential production scenarios. These engineering studies included field development options, topsides facilities and preliminary pipeline routing. Husky also completed a desktop metocean study and awarded a contract for the field acquisition of new proprietary metocean data, which commenced in early 2008 and will take approximately two years.

#### *Block 29/06*

Husky executed a PSC with CNOOC for the 29/06 exploration block on October 1, 2006. The block is located in the South China Sea immediately east and adjacent to block 29/26. The block is more than twice the size of Block 29/26, covering an area of approximately 2,289,382 acres (9,265 sq. kms). CNOOC has the right to participate in development of any discoveries up to a 51% working interest. In the first exploration phase, Husky is committed to acquiring seismic and drilling two exploration wells within three years. Husky acquired 179,148 acres (725 sq. kms) of 3-D seismic in the second quarter of 2008 and is currently evaluating this data to identify potential drilling locations.

#### *Block 35/18 and 50/14*

Husky executed two PSCs with CNOOC for the 35/18 and 50/14 exploration blocks on October 1, 2006. Both contract areas are located in shallow water in the South China Sea immediately west of Hainan Island adjacent to the Dong Fang and Ledong gas fields. The 35/18 block is approximately 1,104,290 acres (4,469 sq. kms) and the Block 50/14 is 775,153 acres (3,137 sq. kms). The work program requires a single exploration well on each block within three years. Husky has exceeded the requirement for seismic work in acquiring 185,325 acres (750 sq. kms) of 3-D seismic on Block 35/18 in 2008. CNOOC has the right to participate in development of any discoveries up to a 51% working interest.

#### *Block 63/05*

Husky executed a PSC with CNOOC for the 63/05 exploration block on June 25, 2008. The block is located in the South China Sea approximately 100 kilometres south of Hainan Island and covers an area of approximately 439,100 acres (1,777 sq. kms). The 63/05 block is located in the Qiongdongnan Basin in water depth of less than 120 metres. Existing seismic data is currently being interpreted and Husky plans to acquire new seismic data in early 2010. CNOOC has the right to participate in development of any discoveries up to a 51% working interest.

## ***East China Sea***

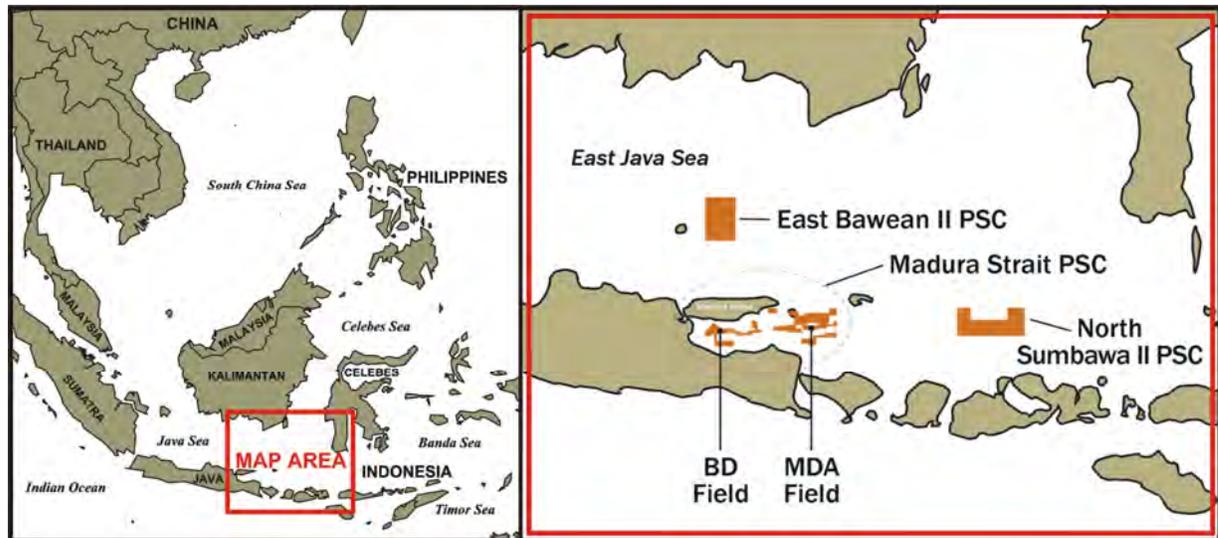
### ***Block 04/35***

Husky executed a PSC with CNOOC for the 04/35 exploration block on December 1, 2003. The block is located in the East China Sea approximately 350 kilometres east of the city of Shanghai and covers an area of approximately 979,771 acres (3,965 sq. kms). The PSC requires the drilling of a single exploration well in the first exploration phase to a depth of 2,500 metres and a minimum work commitment of U.S. \$3 million. Technical evaluations of the hydrocarbon potential are complete and Husky expects to fulfill its Phase I drilling commitment subject to drilling rig logistics. CNOOC has the right to participate in development of any discoveries up to a 51% working interest.

## ***Indonesia***

### ***East Bawean II, Indonesia***

Husky executed a PSC in September, 2006 with the Government of Indonesia for the East Bawean II block. The 1,051,433 acres (4,255 sq. kms) are located in the North East Java Basin approximately 200 kilometres north of the Madura Strait PSC where the Company is in the early development phase of the BD gas field. The PSC requires the acquisition of 3-D seismic with a commitment of U.S. \$7 million, and the drilling of two exploration wells with a commitment of U.S. \$16 million, within the first three years of the contract. The acquisition of the 348,270-acre (1,410 sq kms) 3-D program was completed in December, 2007 and data processing was completed in May, 2008. The Company has secured a jack-up drilling rig to drill two exploration wells which are planned for mid 2009.



### ***North Sumbawa II, Indonesia***

Husky executed a PSC in November, 2008 with the Government of Indonesia for the North Sumbawa II block. The block covers an area of 1,249,831 acres (5,058 sq kms) and is located in the East Java Basin approximately 300 km east of Madura Strait PSC. The acquisition of this block increases Husky total area in Indonesia to 2,991,886 acres (12,108 sq kms). The PSC requires the acquisition of 2D seismic with a commitment of U.S. \$2 million, and the drilling of one exploration well with a commitment of U.S. \$10 million within the first three years of contract.

### ***Madura Strait, Indonesia***

Husky has a 50% interest in approximately 690,412 acres (2,794 sq. kms) of the Madura Strait block, located offshore East Java south of Madura Island, Indonesia. There are two discovered natural gas fields on the block. The larger of these is the Madura BD field, which was granted commercial status and had a plan of development approved by the Indonesian state oil company in 1995. The field was to supply natural gas to a new proposed

independent power plant, however, construction of the power plant did not proceed due to economic issues that occurred in Indonesia at that time and as a result the BD development was deferred. Current market conditions are favourable for the BD development and Husky expects to proceed with plans to supply gas to meet the demand of the East Java region. Husky has gas sales contracts signed with three gas buyers. The updated development plan was approved by the Government of Indonesia and negotiations with the Government of Indonesia to obtain an extension to the PSC are ongoing. Husky expects to conclude these arrangements in 2009 and commence the front-end engineering design for the BD field development. Production is expected to come on stream approximately three to four years after all agreements have been approved by the Government of Indonesia.



**United States**

**Columbia River Basin (Washington State – USA)**

In September 2008, Husky acquired approximately 422,000 net acres of undeveloped land in the Columbia River Basin located in the states of Washington and Oregon, for U.S. \$42 million. Husky is also participating at a 50% working interest in the drilling of an exploration well at Gray 31-23. Although currently in a non-operating position, the agreement with the operating partner allows Husky to assume operatorship in the future if Husky chooses to do so. This under explored basin is characterized by gas saturated tertiary sandstones that lie below a layer of volcanic basalt. The potential exists for modern completion techniques to unlock a large gas resource that is located in an area containing existing sales gas pipelines that transport gas to the states of Washington, Oregon and California.

**Greenland**

Husky holds three ELs totalling 35,000 square kilometres offshore the west coast of Disko Island, Greenland. During 2008, Husky acquired 7,000 kilometres of 2D seismic over Husky operated Blocks 5 and 7 (HOO 87.5% working interest). In addition, Esso Greenland acquired 3,000 kilometres of 2D seismic over the jointly held Block 6 license (HOO 43.75% working interest). The aerogravity and magnetic survey over Blocks 5 and 6 was also completed in 2008. The survey on Block 7 will resume in the first half of 2009. Environmental impact studies were initiated for all three licenses in 2008. A 1,000 square kilometre 3D seismic survey on Block 7 is planned for 2009.

**Shatirah, Libya**

The Company has a non-operated interest in a small crude oil production operation in the Shatirah field, onshore Libya.

## Distribution of Oil and Gas Production

### Crude Oil and NGLs

Husky provides heavy crude oil feedstock to its upgrader and its asphalt refinery, which are located at Lloydminster, Alberta/Saskatchewan. The combined dry crude feedstock requirements of the upgrader and asphalt refinery are equal to approximately 75% of Husky's heavy crude oil production from the Lloydminster area. Husky also markets heavy crude oil production directly to refiners located in the mid-west and eastern United States and Canada. Husky markets its light and synthetic crude oil production to third party refiners in Canada, the United States and Asia. Natural gas liquids are sold to local petrochemical end users, retail and wholesale distributors and to refiners in North America.

Husky markets third party volumes of light crude oil, heavy crude oil and NGLs in addition to its own production.

### Natural Gas

The following table shows the distribution of Husky gross average daily natural gas production for the years indicated:

	Years ended December 31,		
	2008	2007	2006
	(mmcf/day)		
<b>Sales to end users</b>			
United States .....	348	338	335
Canada .....	<u>201</u>	<u>208</u>	<u>231</u>
	<u>549</u>	<u>546</u>	<u>566</u>
Sales to aggregators.....	19	21	26
Internal use <sup>(1)</sup> .....	<u>28</u>	<u>56</u>	<u>80</u>
	<u>596</u>	<u>623</u>	<u>672</u>

Note:

- (1) Husky consumes natural gas for fuel at several of its facilities.

The Company also markets third party natural gas production in addition to its own production.

### Delivery Commitments

The following table shows the future commitments to deliver natural gas from Husky reserves. Husky's proved developed reserves of natural gas in Western Canada are more than adequate to meet future delivery commitments.

	Fixed Price		Market Price
	Bcf	\$/mmbtu	Bcf
2009.....	19	5.18	8
2010.....	19	5.46	1
2011.....	19	5.77	—
2012.....	19	6.05	—
2013.....	18	5.85	—
2014.....	10	3.84	—

# Midstream Operations

## Overview

The midstream operations include:

- Upgrading — the upgrading of heavy crude oil into synthetic light crude oil;
- Infrastructure — pipeline transportation and processing of heavy crude oil, storage of crude oil, diluent and natural gas, extraction of NGL from natural gas, cogeneration of electrical and thermal energy; and
- Commodity Marketing — the purchase and marketing of Husky’s and other producers’ crude oil, natural gas, NGLs, sulphur, petroleum coke and electrical power.

## Upgrading Operations

Husky owns and operates the Husky Lloydminster Upgrader (“Upgrader”), a heavy oil upgrading facility located in Lloydminster, Saskatchewan.

The Upgrader is designed to process blended heavy crude oil feedstock into high quality, low sulphur synthetic crude oil. Synthetic crude oil is used as refinery feedstock for the production of premium transportation fuels in Canada and the United States. In addition, the Upgrader recovers the diluent, which is blended with the heavy crude oil prior to pipeline transportation to reduce viscosity and facilitate its movement, and returns it to the field to be reused.

Prior to the Upgrader, the market for heavy crude oil was either as feedstock for asphalt production or it was sold as blended heavy crude oil for feedstock for specific refineries designed to process or upgrade heavier crude. The Upgrader was commissioned in 1992 with an original design capacity of 46 mbbls/day of synthetic crude oil. Actual production is considerably higher than the original design rate capacity as a result of throughput modifications and improved reliability. In 2007, the Upgrader commenced production of off-road diesel for locomotive and other uses. The Upgrader’s current rated production capacity is 82 mbbls/day of synthetic crude oil, diluent and off-road diesel. Production at the Upgrader averaged 57.5 mbbls/day of synthetic crude oil, 10.4 mbbls/day of diluent and 3.2 mbbls/day of low sulphur diesel in 2008. In addition, the Upgrader also produced, as by-products of its upgrading operations, approximately 317 lt/day of sulphur and 341 lt/day of petroleum coke during 2008. These products are sold in local and international markets.

## Infrastructure

Husky has been involved in the gathering, transporting and storage of heavy crude oil in the Lloydminster area since the early 1960s. Husky’s crude oil pipeline systems include approximately 2,000 kilometres of pipeline and are capable of transporting in excess of 720 mbbls/day of blended heavy crude oil, diluent and synthetic crude oil. The pipeline systems transport blended heavy crude oil to Lloydminster, accessing markets through the Upgrader and asphalt refinery in Lloydminster. Blended heavy crude oil from the field and synthetic crude oil from the upgrading operations are moved south to Hardisty, Alberta to a connection with the Enbridge Pipeline, the Kinder Morgan Express Pipeline and the Inter Pipeline Fund systems. The crude oil is transported to eastern and southern markets on these pipelines. Husky’s crude oil pipeline systems also have feeder pipeline interconnections with the Cold Lake Pipeline, the Echo Pipeline, the Gibsons Terminal, the Enbridge Athabasca Pipeline and the Talisman Chauvin Pipeline.

The following table shows the average daily pipeline throughput for the periods indicated:

	Years ended December 31,		
	2008	2007	2006
		(mbbls/day)	
Combined pipeline throughput .....	507	501	475

In recent years Husky has expanded and expects to further expand its heavy crude pipeline systems to capitalize on anticipated increases in heavy oil production from the Lloydminster and Cold Lake areas.

Husky considers the expansion and optimization of its pipeline systems in the Lloydminster area to be necessary to further its own development objectives in the area. As a result of ongoing expansion of the mainline pipeline systems in the area, competition for throughput volumes has increased.

Husky operates 16 heavy crude oil processing facilities located throughout the Lloydminster area. These facilities process Husky's and other producers' raw heavy crude oil from the field by removing sand, water and other impurities to produce clean dry heavy crude oil. The heavy crude oil is then blended with a diluent to lower both viscosity and density in order to meet pipeline specifications for transportation.



## **Cogeneration**

Husky has a 50% interest in a 215 MW natural gas fired cogeneration facility at the site of the Lloydminster Upgrader. This cogeneration plant was commissioned in December 1999. Electricity produced at the facility is being sold to Saskatchewan Power Corporation under a 25 year power purchase agreement effective in 1999. Thermal energy (steam) is sold to the Upgrader.

Husky also has a 50% interest in a 90 MW natural gas fired cogeneration facility adjacent to Husky's Rainbow Lake processing plant. The cogeneration plant produces electricity for the Alberta Power Pool and thermal energy (steam) for the Rainbow Lake processing plant. It provides power directly to the Alberta Power Pool under an agreement with the Alberta Transmission Administrator to provide additional electricity generating capacity and system stability for northwestern Alberta. The power plant has the capability of being expanded to approximately 110 MW in total. Husky is the operator of the facility.

## **Natural Gas Storage Facilities**

Husky has been operating a natural gas storage facility at Hussar, Alberta since April 2000. The facility has a working storage capacity of 17 bcf of natural gas. Husky also operates and has a 50% interest in a 6 bcf natural gas storage facility at East Cantuar near Swift Current, Saskatchewan. The Company is continuing to evaluate additional storage opportunities within Western Canada.

## **Commodity Marketing**

Husky is a marketer of both its own and third party production of crude oil, synthetic crude oil, NGL, natural gas and sulphur. The Company also markets petroleum coke, a by-product from the Lloydminster Upgrader.

Husky supplies feedstock to its Upgrader and asphalt refinery from its own and third party heavy oil production sourced from the Lloydminster and Cold Lake areas. The Company also sells blended heavy crude oil directly to refiners based in the United States and Canada. Husky's extensive infrastructure in the Lloydminster area supports its heavy crude oil refining and marketing operations.

Husky markets light and medium crude oil and NGL sourced from Husky's own production and third party production. Light crude oil is acquired for processing by third party refiners at Edmonton, Alberta and by its refinery at Prince George, British Columbia. Husky markets the synthetic crude oil produced at the Husky Upgrader in Lloydminster to refiners in Canada and the United States.

Husky markets natural gas sourced from its own production and third party production. The Company is currently committed to gas sales contracts with third parties, which in aggregate do not exceed amounts forecast to be deliverable from Husky reserves. Husky's contracts are with customers located in eastern Canada/northeastern United States (34%), midwestern United States (29%), Western Canada (35%) and northwestern United States (2%). The natural gas sales contracted are primarily at market prices (91%). At December 31, 2005, Husky's natural gas sales contracts totalled 158 bcf over eight years. The natural gas is deliverable at the rate of 27% of the total 115 bcf over six years. The natural gas is deliverable at the rate of 24% in 2009, 17% in 2010, 17% in 2011, 17% in 2012, 17% in 2013 and 8% in 2014. Husky has acquired rights to firm pipeline capacity to transport the natural gas to most of these markets. The Company manages and trades natural gas in conjunction with Husky owned and operated natural gas storage facilities. Husky also contracts additional natural gas storage under long-term arrangements. At December 31, 2008, Husky managed natural gas storage capacity of 37 bcf.

Husky has developed its commodity marketing operations to include the acquisition of third party volumes in order to increase volumes and enhance the value of its midstream assets. The Company plans to expand its marketing operations by continuing to increase marketing activities. The Company believes that this increase will generate synergies with the marketing of its own production volumes and the optimization of its assets. At December 31, 2008, Husky estimated commitments of approximately \$467 million in natural gas purchases, 95% of which is to be purchased in 2009. At December 31, 2008, the Company did not have any long-term commitments to purchase crude oil. Husky's purchases of crude oil primarily involve 30 day evergreen arrangements.

## **Downstream Operations**

### **Canada**

#### *Overview*

Husky's Canadian refined products operations include refining of light crude oil, manufacturing of fuel and industrial grade ethanol, manufacturing of asphalt products from heavy crude oil, acquisition by purchase and exchange of refined petroleum products. Husky's retail network provides a platform for substantial non-fuel related convenience product businesses.

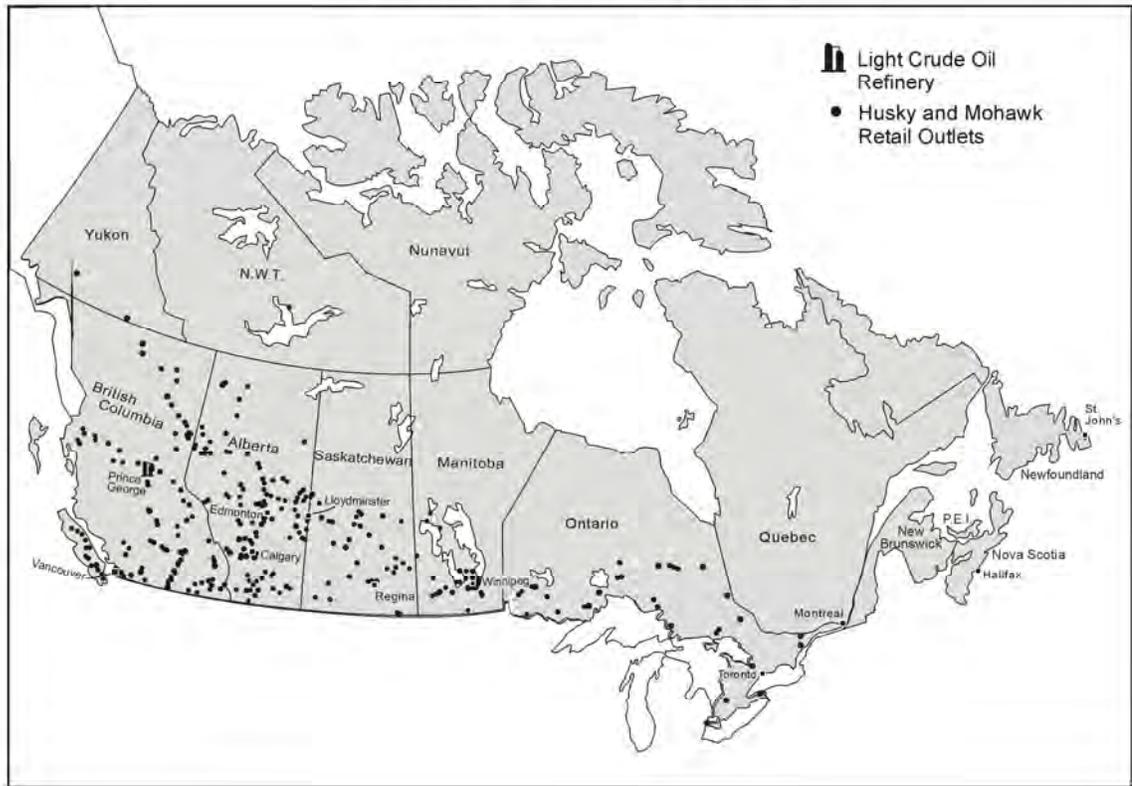
Light oil refined products are produced at the Husky refinery at Prince George, British Columbia and are also acquired from third party refiners and marketed through Husky and Mohawk branded retail and commercial petroleum outlets and through direct marketing to third party dealers and end users. Asphalt and residual products are produced at Husky's asphalt refinery at Lloydminster and are marketed directly or through Husky's eight emulsion plants, four of which are also asphalt terminals located throughout Western Canada.

#### *Branded Petroleum Product Outlets and Commercial Distribution*

As of December 31, 2008, there were 492 independently operated Husky and Mohawk branded petroleum product outlets. These petroleum product outlets include service stations, travel centres and bulk distribution facilities located from the Ontario/Quebec border to the West Coast. The travel centre network is strategically located on major highways and serves the retail market and commercial transporters 24 hours per day, 365 days a year with quality products and full service Husky House restaurants. At most locations, the travel centre network also features the proprietary "Route Commander" cardlock system that enables commercial users to purchase products using a card system that will electronically process transactions and provide detailed billing, sales tax and other information. A variety of full and self serve retail locations under the Mohawk and Husky brand names serve urban and rural markets, while Husky and Mohawk bulk distributors offer direct sales to commercial and farm markets in Western Canada.

Husky's strategy in respect of its petroleum product outlets includes continuing to increase profits and sales through the strategic location of new outlets, the enhancement of ancillary non-fuel income streams, the modernization, automation and upgrading of existing petroleum product outlets, expanding customer loyalty programs and the sale of non-core locations. Husky also plans to enter into strategic alliances with third parties to sell various consumer products at Husky and Mohawk branded petroleum outlets in order to generate revenue and increase demand for other products and services provided at those outlets. The Company is pursuing acquisitions and joint venture opportunities to further enhance its existing distribution network.

## Branded Petroleum Outlets



Independent retailers or agents operate all Husky and Mohawk branded petroleum product outlets. Branded outlets feature varying services such as 24 hour service, convenience stores, service bays, car washes, Husky House full service family style restaurants, proprietary and co-branded quick serve restaurants, bank machines and alternate fuels such as propane and compressed natural gas. In addition to conventional gasolines, ethanol blended fuels branded as “Mother Nature’s Fuel” and additive enhanced “Diesel Max” are offered in all markets together with Chevron lubricants. Husky supplies refined petroleum products to its branded independent retailers on an exclusive basis and provides financial and other assistance for location improvements, marketing support and related services. Husky’s brands are promoted through the Husky Snowstars Program, various national and university athletic sponsorships as well as advertising designed to reach both national and regional audiences.

The following table shows the number of Husky and Mohawk branded petroleum outlets by class of trade and by province as of December 31, 2008:

	British Columbia & Yukon	Alberta	Sask.	Manitoba	Ontario	2008 Total	2007 Total
<b>Retail Owned Outlets</b>							
Travel Centres.....	10	10	4	2	12	38	36
Full Serve .....	9	12	1	3	3	28	28
Full/Self Serve .....	19	15	6	10	3	53	59
Self Serve .....	17	27	1	—	2	47	41
Bulk Distributor .....	1	9	2	1	—	13	15
Other Service Facilities .....	<u>3</u>	<u>7</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>11</u>	<u>13</u>
	<u>59</u>	<u>80</u>	<u>14</u>	<u>16</u>	<u>21</u>	<u>190</u>	<u>192</u>
<b>Leased</b>							
Travel Centres.....	1	—	—	—	—	1	1
Full Serve .....	3	7	5	5	—	20	22
Full/Self Serve .....	8	17	3	3	—	31	37
Self Serve .....	35	28	0	1	—	64	61
Bulk Distributor .....	2	—	1	—	1	4	2
Other Service Facilities .....	<u>2</u>	<u>4</u>	<u>—</u>	<u>3</u>	<u>2</u>	<u>11</u>	<u>8</u>
	<u>51</u>	<u>56</u>	<u>9</u>	<u>12</u>	<u>3</u>	<u>131</u>	<u>131</u>
<b>Independent Retailers</b>							
Travel Centres.....	1	2	—	—	4	7	7
Full Serve .....	20	10	8	9	7	54	57
Full/Self Serve .....	12	5	4	1	1	23	26
Self Serve .....	27	39	4	2	1	73	78
Bulk Distributor .....	2	4	2	—	—	8	8
Other Service Facilities .....	<u>1</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>6</u>	<u>6</u>
	<u>63</u>	<u>62</u>	<u>18</u>	<u>12</u>	<u>16</u>	<u>171</u>	<u>182</u>
<b>Total</b>							
Travel Centres.....	12	12	4	2	16	46	44
Full Serve .....	32	29	14	17	10	102	107
Full/Self Serve .....	39	37	13	14	4	107	122
Self Serve .....	79	94	5	3	3	184	180
Bulk Distributor .....	5	13	5	1	1	25	25
Other Service Facilities .....	<u>6</u>	<u>13</u>	<u>—</u>	<u>3</u>	<u>6</u>	<u>28</u>	<u>27</u>
	<u>173</u>	<u>198</u>	<u>41</u>	<u>40</u>	<u>40</u>	<u>492</u>	<u>505</u>
Cardlocks <sup>(1)</sup> .....	27	30	6	6	25	94	80
Convenience Stores <sup>(1)</sup> .....	157	173	34	35	32	431	444
Restaurants .....	11	13	4	2	16	46	46

Note:

(1) All of these are located at branded petroleum outlets.

Husky also markets refined petroleum products directly to various commercial markets, including independent dealers, national rail companies and major industrial and commercial customers in western Canada and the north-western United States.

The following table shows average daily sales volumes of light refined petroleum products for the periods indicated:

	Years ended December 31,		
	2008	2007	2006
	(mbbls/day)		
Gasoline .....	25.0	27.8	27.5
Diesel fuel .....	23.8	27.4	26.4
Liquefied petroleum gas .....	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>
	<u>49.7</u>	<u>56.1</u>	<u>54.8</u>

## ***Supply***

### *Prince George Refinery*

The Prince George refinery production is equal to approximately 20% of Husky's total refined product supply requirements and is the source of its lowest cost refined products. The refinery produces all grades of unleaded gasoline, seasonal diesel fuels, a mixed propane and butane stream and heavy oil products.

### *Lloydminster Asphalt Refinery*

Husky's Lloydminster refinery processes heavy crude into asphalt products used in road construction and maintenance, manufactured building products, locomotive blendstock and specialty oil field products. The refinery has a throughput capacity of 28,000 barrels per day of heavy crude oil. It also produces a distillate stream used by the Upgrader and a condensate stream used to blend with heavy oil production. In addition, Husky produces and sells straight run gasoline, bulk distillates and residuals. The bulk distillates are hydrogen deficient and are transferred directly to the Upgrader and then treated for blending into the Husky Synthetic Blend stream. The straight run gasoline stream is removed and re-circulated into the heavy oil pipeline network as pipeline diluent. Residuals are a blend of medium and light distillate and gas oil streams, which are sold directly to customers or further processed at the Upgrader into off-road diesel.

### *Ethanol Manufacturing*

In September 2006, Husky commissioned an ethanol facility in Lloydminster, Saskatchewan. This plant has an annual capacity of 130 million litres. In December 2007, the Minnedosa, Manitoba ethanol plant was commissioned also with an annual capacity of 130 million litres.

Husky's ethanol production supports its "Mother Nature's Fuel" ethanol-blended gasoline marketing program. When added to gasoline, ethanol improves fuel combustion, raises octane levels, prevents fuel line freezing and reduces carbon monoxide emissions, ozone precursors and net emissions of greenhouse gases. Environment Canada has designated ethanol-blended gasoline as an "Environmental Choice" product.

Husky continued to position its Refined Products business segment as the leader in ethanol blended fuels in Western Canada.

### *Other Supply Arrangements*

In addition to the refined petroleum products supplied by the Prince George refinery of 3.2 mbbbls/day, the Company has rack based pricing purchase agreements for refined products with all major Canadian refiners. During 2008, the Company purchased approximately 24.6 mbbbls/day of refined petroleum products from refiners and acquired approximately 9.2 mbbbls/day of refined petroleum products pursuant to exchange agreements with third party refiners. During 2008, the Company also delivered an average of 12.5 mbbbls/day of crude oil to be refined under a processing agreement by another refiner, yielding approximately 11.2 mbbbls/day of refined petroleum products.

### ***Asphalt Product***

Husky produces asphalt and residual products at its 28 mbbbls/day asphalt refinery at Lloydminster and markets these products to customers across western Canada and the northwestern and midwestern United States.

Husky has 39% of the market for paving asphalt sold in Western Canada. Husky's Pounder Emulsions division has a 50% market share in Western Canada for road application emulsion products. Additional non-asphalt based road maintenance products are marketed and distributed through Western Road Management, a division of Husky. The Company's sales to the United States and Eastern Canada accounted for 39% of production in 2008. Exported asphalt products are shipped as far as Texas, Florida and New Brunswick. Husky sells in excess of 5 mmbbls of asphalt cements per year.

Husky's asphalt distribution network consists of four emulsion/asphalt terminals located at Kamloops, British Columbia; Lethbridge, Alberta; Yorkton, Saskatchewan; and Winnipeg, Manitoba and four emulsion plants located at Edmonton, Alberta; Watson Lake, Yukon; Lloydminster and Saskatoon, Saskatchewan. Husky also uses an independently operated terminal at Langley, British Columbia.

All of Husky's asphalt requirements are supplied by the Lloydminster, Alberta asphalt refinery. The refinery

had an original design rate throughput capacity of 25 mbbls/day. Debottleneck modifications have allowed Husky to increase that to 28 mbbls/day. The crude oil feedstock for the Lloydminster refinery is supplied through Husky's pipeline systems from the supply of heavy crude oil in the region, including Husky produced heavy crude oil.

The following table shows average daily sales volumes of products produced at the Lloydminster refinery for the years indicated:

	<u>Years ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(mbbls/day)		
Asphalt .....	13.6	14.0	14.0
Residual and other.....	<u>10.4</u>	<u>7.8</u>	<u>9.4</u>
	<u>24.0</u>	<u>21.8</u>	<u>23.4</u>

Refinery throughput averaged 26.1 mbbls/day of blended heavy crude oil feedstock during 2008.

Due to the seasonal demand for asphalt products most asphalt refineries typically operate at full capacity only during the normal paving season in Canada and the northern United States. Husky has implemented various plans to increase refinery throughput during the other months of the year, such as producing low sulphur diesel, entering into custom processing arrangements and developing other U.S. and international markets for asphalt products. This allows Husky to run at or near full capacity year round.

Husky's strategy with respect to its asphalt marketing business is to increase sales volumes by increasing asphalt supply and developing new product streams, to enhance margins by soliciting industry for Husky ideal specifications, to minimize costs and expand income base through new products and new markets and to pursue mergers, acquisitions, brokering and processing opportunities within its niche markets.

In 2009, Husky will direct its efforts to identifying acquisition, merger, brokering, terminalling, and processing opportunities. In addition, Husky expects to increase residual sales relative to diluents and bulk distillates to enhance margins, concentrate on sales of higher quality products with larger margins, develop new products and improve existing products.

## **United States**

### ***Refining and Marketing***

#### ***Lima Ohio Refinery***

Acquisition of the Lima Refining Company closed on July 3, 2007. The Lima Refinery has an atmospheric crude throughput capacity of 160 mbbls per stream day. The refinery is located in Ohio between Toledo and Dayton and currently processes primarily light sweet crude oil feedstock sourced from the United States and Africa. The refinery produces gasoline, gasoline blend stocks, diesel, jet fuel, petrochemical feedstock and other by-products. The feedstock is received via the Mid-Valley and Marathon pipelines and the refined products are transported via the Buckeye and Inland pipeline systems and by rail car to primary markets in Ohio, Illinois, Indiana and southern Michigan.

During 2008 crude oil feedstock throughput averaged 137 mbbls/day. Production of gasoline averaged 79 mbbls/day, middle distillates averaged 50 mbbls/day and other fuel and feedstock averaged 8 mbbls/day.

#### ***Toledo Ohio Refinery***

On March 31, 2008, Husky and BP completed a transaction that created an integrated North American oil sands business. The business comprises a 50/50 partnership to develop the Sunrise Oil Sands project, operated by Husky, and a 50/50 limited liability company for the Toledo Ohio Refinery, operated by BP.

The Toledo Refinery has an atmospheric crude throughput capacity of 160 mbbls per stream day. Products include low sulphur gasoline, ultra low sulphur diesel, aviation fuels, propane, kerosene and asphalt. It is located in one of the highest energy consumption regions in the United States.

Husky and BP plan to expand the refinery's bitumen processing capacity to process 120 mbbls/day with total processing capacity increased to 170 mbbls/day by 2015. BP currently markets 100% of the refinery's output; however, upon commencement of bitumen deliveries from Sunrise, Husky will have the right to market its own share of the refined products.

During the nine months ended December 31, 2008, crude oil feedstock throughput averaged 60 mbbls/day

(Husky's share). Production of gasoline averaged 36 mbbls/day, middle distillates averaged 18 mbbls/day and other fuel and feedstock averaged 6 mbbls/day.

## Human Resources

The number of employees was as follows:

December 31,		
2008	2007	2006
<u>4,592</u>	<u>4,142</u>	<u>3,570</u>

## DIVIDENDS

The following table shows the aggregate amount of the dividends per common share of the Company paid in respect of its last three years ended December 31:

	2008	2007	2006
Dividends per common share .....	\$ 1.70	\$ 1.16	\$ 1.13

## Dividend Policy and Restrictions

The Board of Directors of Husky has established a dividend policy that pays quarterly dividends. The dividend policy was reviewed in July 2006 and was increased to \$0.25 (\$1.00 annually) per common share and again in October 2007 when it was increased to \$0.33 (\$1.32 annually). The dividend policy was again reviewed in April 2008 and was increased to \$0.40 (\$1.60 annually) per common share and again in July 2008 when it increased to \$0.50 (\$2.00 annually). In February 2009, the dividend policy was reviewed and was decreased to \$0.30 (\$1.20 annually) per common share. The Board declared special dividends in the amount of \$0.50 per common share in July 2003 and \$0.27 per common share in November 2004. In October 2005, the Board declared a special dividend of \$0.50 per common share. In February 2007, the Board declared a special dividend of \$0.25 per common share. Husky's dividend policy will continue to be reviewed and there can be no assurance that further dividends will be declared.

The declaration and payment of dividends will be at the discretion of the Board, which will consider earnings, capital requirements and financial condition of Husky, the satisfaction of the applicable solvency test in Husky's governing corporate statute, the *Business Corporations Act* (Alberta), and other relevant factors.

## DESCRIPTION OF CAPITAL STRUCTURE

### Common Shares

Husky is authorized to issue an unlimited number of common shares. Holders of common shares are entitled to one vote per share at meetings of shareholders of Husky, to receive such dividends as declared by the Board of Directors on the common shares and to receive pro-rata the remaining property and assets of Husky upon its dissolution or winding up, subject to any rights having priority over the common shares.

### Preferred Shares

Husky is authorized to issue an unlimited number of preferred shares. Holders of preferred shares shall not be entitled to vote at meetings of Husky, are entitled to receive such dividends as and when declared by the Board of Directors in priority to common shares and shall be entitled to receive pro-rata in priority to holders of common shares the remaining property and assets of Husky upon its dissolution or winding up. There are no preferred shares currently outstanding.

## Credit Ratings Summary

	Rating	Last Review	Last Rating Change
<b>Moody's:</b>			
Outlook.....	Stable	July 9, 2008	—
Senior Unsecured Debt.....	Baa2	July 9, 2008	April 25, 2001
<b>Standard and Poor's:</b>			
Outlook.....	Stable	May 5, 2007	July 27, 2006
Senior Unsecured Debt.....	BBB+	May 5, 2007	July 27, 2006
<b>Dominion Bond Rating Service:</b>			
Trend.....	Stable	November 28, 2008	March 31, 2008
Senior Unsecured Debt .....	A (low)	November 28, 2008	March 31, 2008

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The credit ratings accorded to Husky's securities by the rating agencies are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time or may be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant.

### Moody's

Moody's credit rating system ranges from Aaa (highest) to C (lowest). Debt securities rated within the Baa category are considered medium grade debts; they are neither highly protected nor poorly secured. Interest payments and principal security appear to be adequate at the time of the rating; however, they are subject to potential adverse circumstances over time. As a result, these debt securities possess some speculative characteristics. The addition of a 1, 2 or 3 modifier indicates an additional relative standing within the general rating classification. The addition of the modifier 1 indicates the debt is positioned in the top one third of the general rating classification, 2 indicates the mid one third and 3 indicates the bottom one third.

### Standard and Poor's

Standard and Poor's credit rating system ranges from AAA (highest) to D (lowest). Debt securities rated within the BBB category are considered to possess adequate protection parameters. However, they could potentially change subject to adverse economic conditions or other circumstances that may result in reduced capacity of the debtor to continue to meet principal and interest payments. As a result these debt securities possess some speculative characteristics. The addition of the modifier + or - indicates the debt is positioned above (+) or below (-) the mid range of the general category.

### Dominion Bond Rating Service

Dominion Bond Rating Service's credit rating system ranges from AAA (highest) to D (lowest). Debt securities rated within the BBB category are considered to be of adequate credit quality. Protection of interest and principal is considered acceptable, but the debtor is susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the debtor and its rated debt. The addition of the high or low modifier denotes that the rating is either above or below the mid range of the general rating category.

## MARKET FOR SECURITIES

Husky's common shares are listed and posted for trading on the Toronto Stock Exchange under the trading symbol "HSE".

The following table discloses the trading price range and volume of Husky's common shares traded on the Toronto Stock Exchange during Husky's financial year ended December 31, 2008:

	<u>High</u>	<u>Low</u>	<u>Volume (000's)</u>
January .....	45.84	38.50	27,950
February .....	43.22	39.42	21,774
March .....	42.88	38.95	19,865
April .....	47.31	39.65	23,181
May .....	54.24	44.50	32,091
June .....	53.00	46.80	28,021
July .....	50.19	40.30	24,690
August .....	49.21	42.55	20,128
September .....	49.99	39.40	44,757
October .....	44.62	29.00	51,241
November .....	37.91	26.50	28,899
December .....	33.20	26.85	29,405

## DIRECTORS AND OFFICERS

The following are the names and residences of the directors and officers of Husky as of the date of this Annual Information Form, their positions and offices with Husky and their principal occupations during the past five years.

### Directors

Name & Residence	Officer or Position	Principal Occupation During Past 5 Years
Li, Victor T.K. Hong Kong	Director and Co-Chair	<p>Mr Li is Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited (a public investment holding and project management company).</p> <p>Mr. Li is also Deputy Chairman and Executive Director of Hutchison Whampoa Limited (an investment holding company); Chairman and Executive Director of Cheung Kong Infrastructure Holdings Limited (an infrastructure development company) and of CK Life Sciences Int'l., (Holdings) Inc. (a biotechnology company); Executive Director of Hongkong Electric Holdings Limited (a holding company); and a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited.</p> <p>Mr. Li is a member of the Standing Committee of the 11th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China and he is also a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region.</p> <p>Mr. Li holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering.</p>
Fok, Canning K.N. Hong Kong	Director, Co-Chair and Chair of the Compensation Committee	<p>Mr. Fok is Group Managing Director and Executive Director of Hutchison Whampoa Limited.</p> <p>Mr. Fok is also a director and Chairman of Hutchison Harbour Ring Limited (an investment holding company), Hutchison Telecommunications International Limited (a telecommunications company), Hutchison Telecommunications (Australia) Limited (a telecommunications company), Partner Communications Company Ltd. (a telecommunications company) and Hongkong Electric Holdings Limited (a holding company); a director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited (an infrastructure holding company); and a director of Cheung Kong (Holdings) Limited (an</p>

		<p>investment holding company). Mr. Fok was also a director of Hanny Holdings Limited from 1992-2005 and of Panvas Gas Holdings Limited from 2002-2006.</p> <p>Mr. Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of the Australian Institute of Chartered Accountants.</p>
Fullerton, R. Donald Ontario, Canada	Director and Chair of the Audit Committee	<p>Mr. Fullerton serves as a corporate director of a number of private companies. Mr. Fullerton is also a director of the Li Ka Shing (Canada) Foundation.</p> <p>Mr. Fullerton was a director of Asia Satellite Telecommunications Holdings Limited from 1996 to 2006; George Weston Limited (a holding company) from 1991 to 2005; Partner Communications Ltd. from 2003 to 2005; and CIBC from 1974 to 2004.</p> <p>Mr. Fullerton holds a Bachelor of Arts degree.</p>
Glynn, Martin J.G. British Columbia, Canada	Director, Chair of the Corporate Governance Committee and Member of the Audit Committee	<p>Mr. Glynn is a director of Hathor Exploration Limited (mining exploration), VinaCapital Vietnam Opportunity Fund Ltd. (investment fund) and MF Global Ltd. (futures and options broker).</p> <p>Mr. Glynn was a director from 2000 to 2006 and President and Chief Executive Officer of HSBC Bank USA N.A. from 2003 until his retirement in 2006. Mr. Glynn was a director of HSBC Bank Canada from 1999 to 2006 and President and Chief Executive Officer from 1999 to 2003.</p> <p>Mr. Glynn holds a Bachelor of Arts, Honours degree and a Masters degree in Business Administration.</p>
Kluge, Holger Ontario, Canada	Director, Chair of the Health, Safety and Environment Committee and Member of the Compensation Committee	<p>Mr. Kluge is a director of Hongkong Electric Holdings Limited, Hutchison Whampoa Limited and Shoppers Drug Mart Corporation.</p> <p>Mr. Kluge was a director of Hutchison Telecommunications (Australia) Limited from 1999 to 2005; TOM Group Limited (a publishing company) from 2000 to 2005; and Loring Ward International Limited (a financial planning company) from 2004 to 2005.</p> <p>Mr. Kluge holds a Bachelor of Commerce degree and a Master's degree in Business Administration.</p>

Koh, Poh Chan Hong Kong	Director	<p>Ms. Koh is Finance Director, Harbour Plaza Hotel Management (International) Ltd. (a hotel management company).</p> <p>Ms. Koh is qualified as a Fellow Member (FCA) of the Institute of Chartered Accountants in England and Wales and is an Associate of the Canadian Institute of Chartered Accountants and the Chartered Institute of Taxation in the U.K.</p>
Kwok, Eva L. British Columbia, Canada	Director, Member of the Compensation Committee and the Corporate Governance Committee	<p>Mrs. Kwok is Chairman, a director and Chief Executive Officer of Amara International Investment Corp. (a private investment holding company).</p> <p>Mrs. Kwok is also a director of CK Life Sciences Int'l., (Holdings) Inc. and Cheung Kong Infrastructure Holdings Limited. Mrs. Kwok is also a director of the Li Ka Shing (Canada) Foundation.</p> <p>Mrs. Kwok is a director of Bank of Montreal Group of Companies and was a Director of Shoppers Drug Mart Corporation from 2004 to 2006.</p> <p>Mrs. Kwok holds a Masters degree in Science.</p>
Kwok, Stanley T.L. British Columbia, Canada	Director & Member of the Health, Safety and Environment Committee	<p>Mr. Kwok is a director and President of Stanley Kwok Consultants (an architecture, planning and development company).</p> <p>Mr. Kwok is also a director and President of Amara International Investment Corp. and a director of Cheung Kong (Holdings) Limited.</p> <p>Mr. Kwok holds a Bachelor of Science degree (Architecture) and an A.A. Diploma from the Architectural Association School of Architecture in London (England).</p>
Lau, John C.S. Alberta, Canada	Director, President & Chief Executive Officer	<p>Mr. Lau is the President &amp; Chief Executive Officer of Husky Energy Inc. Prior to joining Husky in 1992, Mr. Lau served in a number of senior executive roles within the Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited group of companies.</p> <p>Mr. Lau holds a Bachelor of Economics degree and a Bachelor of Commerce degree.</p>
Russel, Colin S. Gloucestershire, United Kingdom	Director & Member of the Audit Committee	<p>Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd. (a business advisory company).</p>

		<p>Mr. Russel is a director of Cheung Kong Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and ARA Asset Management Pte. Ltd.</p> <p>Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada.</p>
Shaw, Wayne E. Ontario, Canada	Director, Member of the Corporate Governance Committee and the Health, Safety and Environment Committee	<p>Mr. Shaw is a Senior Partner with Stikeman Elliott LLP, Barristers and Solicitors. Mr. Shaw is also a director of the Li Ka Shing (Canada) Foundation.</p> <p>Mr. Shaw holds a Bachelor of Arts degree and a Bachelor of Laws degree.</p>
Shurniak, William Saskatchewan, Canada	Director, Deputy Chair and Member of the Audit Committee	<p>Mr. Shurniak is a director of Hutchison Whampoa Limited and a director and Chairman of Northern Gas Networks Limited (a private distributor of natural gas in Northern England).</p> <p>Mr. Shurniak held the following positions until his return to Canada in 2005: Director and Chairman of ETSA Utilities (a utility company) since 2000, Powercor Australia Limited (a utility company) since 2000, CitiPower Pty Ltd. (a utility company) since 2002, and a director of Envestra Limited (a natural gas distributor) since 2000, CrossCity Motorways Pty Ltd. (an infrastructure and transportation company) since 2002 and Lane Cove Tunnel Company Pty Ltd. (an infrastructure and transportation company) since 2004.</p> <p>Mr. Shurniak holds an Honorary Doctor of Laws degree from the University of Saskatchewan and from The University of Western Ontario.</p>
Sixt, Frank J. Hong Kong	Director & Member of the Compensation Committee	<p>Mr. Sixt is Group Finance Director and Executive Director of Hutchison Whampoa Limited.</p> <p>Mr. Sixt is also the Non-executive Chairman and a director of TOM Group Limited; Executive Director of Cheung Kong Infrastructure Holdings Limited (an infrastructure development company) and Hongkong Electric Holdings Limited (a holding company); a director of Cheung Kong (Holdings) Limited (an investment holding company); Hutchison Telecommunications</p>

International Limited (a telecommunications company); Hutchison Telecommunications (Australia) Limited (a telecommunications company) and Partner Communications Company Ltd. (a telecommunications company). Mr. Sixt is also a director of the Li Ka Shing (Canada) Foundation.

Mr. Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

## Officers

<b>Name and Residence</b>	<b>Office or Position</b>	<b>Principal Occupation During Past 5 Years</b>
Cowan, Alister Alberta, Canada	Vice President & Chief Financial Officer	Vice President & Chief Financial Officer of Husky Energy Inc. since July 2008. He was previously Executive Vice President and Chief Financial Officer, British Columbia Hydro & Power Authority from 2004 to 2008,. Vice President, Direct Energy Marketing Limited, from 2003 to 2004 and Vice President and Comptroller, TransAlta Corporation from 2000 to 2003.
Peabody, Robert J. Alberta, Canada	Chief Operating Officer, Operations & Refining	Chief Operating Officer, Operations and Refining of Husky since January 2006. Prior to joining Husky, Mr. Peabody held the following positions with British Petroleum: Director Innovence Separation & Initial Public Offering Project from 2005 to 2006, President of Global Polymers, Chemicals from 2004 to 2005, Vice President, Polyester and Aromatics Americas from 2002 to 2004 and Vice President, BP Group Strategy & Planning from 1991 to 2001.
Girgulis, James D. Alberta, Canada	Vice President, Legal & Corporate Secretary	Vice President, Legal & Corporate Secretary of Husky since August 2000.

As at February 12, 2009, the directors and officers of Husky, as a group, owned or controlled or directed, directly or indirectly, 433,640 common shares of Husky representing less than 1% of the issued and outstanding common shares.

## Conflicts of Interest

The officers and directors of Husky may also become officers and/or directors of other companies engaged in the oil and gas business generally and which may own interests in oil and gas properties in which Husky holds or may in future hold an interest. As a result, situations may arise where the interests of such directors and officers conflict with their interests as directors and officers of other companies. In the case of the directors the resolution of such conflicts is governed by applicable corporate laws which require that directors act honestly, in good faith and with a view to the best interests of Husky and, in respect of the *Business Corporations Act* (Alberta), Husky's governing statute, that directors declare, and refrain from voting on, any matter in which a director may have a conflict of interest.

## Corporate Cease Trade Orders or Bankruptcies

None of those persons who are directors or executive officers of Husky is or has been within the past ten years, a director, chief executive officer or chief financial officer of any company, including Husky and any personal holding companies of such person, 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 after such persons ceased to be a director, chief executive officer or chief financial officer of the company 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, which resulted from an event that occurred while acting in such capacity.

In addition, none of those persons who are directors or executive officers of Husky is, or has been within the past ten years, a director or executive officer of any company, including Husky and any personal holding companies of such persons, that while such person was acting in that capacity, 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 until April 12, 2002, of vLinx Inc., a private Canadian company which was petitioned into bankruptcy on April 15, 2002. vLinx Inc. developed technology and software to facilitate international trade. Victor Li was a director of Star River Investment Limited, a Hong Kong company, until June 4, 2005, which commenced creditors voluntary winding up on September 28, 2004. The company was subsequently dissolved on June 4, 2005.

## **Individual Penalties, Sanctions or Bankruptcies**

None of the persons who are directors or executive officers of Husky (or any personal holding companies of such persons) 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 or her assets.

None of the persons who are directors or executive officers of the Company (or any personal holding companies of such persons) have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## AUDIT COMMITTEE

The members of Husky's Audit Committee are R.D. Fullerton (Chair), M.J.G. Glynn, W. Shurniak and C.S. Russel. Each of the members of the Company's Audit Committee (the "Committee") are independent in that each member does not have a direct or indirect material relationship with the Company. Multilateral Instrument 52-110 — Audit Committees provides that a material relationship is a relationship which could, in the view of the board of directors of Husky (the "Board"), reasonably interfere with the exercise of a member's independent judgment.

The Committee's Charter provides that the Committee is to be comprised of at least three (3) members of the Board, all of whom shall be independent and meet the financial literacy requirements of applicable laws and regulations. Each member of the Committee is financially literate in that each has the ability 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 Company's financial statements.

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows.

R.D. Fullerton (Chair) — Before his retirement Mr. Fullerton served as Chief Executive Officer of CIBC and also served as a director and/or an Audit Committee member of 16 major domestic and international public companies as well as a director of a number of affiliates of CIBC.

M.J.G. Glynn — Mr. Glynn was a director and President and Chief Executive Officer of HSBC Bank USA N.A. from 2000 until his recent retirement in 2006, as well as a director of a number of affiliates of HSBC. Mr. Glynn also serves as a director and an Audit Committee member of three domestic and international public companies.

W. Shurniak — Mr. Shurniak is a non-executive director and member of the audit committee of Hutchison Whampoa Limited and a director and Chairman of Northern Gas Networks Limited, a private company. He has broad banking experience and prior to his moving back to Canada in 2005, he spent five years in Australia where he was a director of a public company engaged in the distribution of natural gas. He was also a director and member of the Audit Committee of five other private companies, three of which are regulated electricity distribution companies.

C.S. Russel — Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd. Mr. Russel is a director and an Audit Committee member of Cheung Kong Infrastructure Holdings Limited, CK Life Sciences Int'l, (Holdings) Inc. and ARA Asset Management Pte. Ltd.

Husky's Audit Committee Charter is attached hereto as Schedule "A."

### External Auditor Service Fees

The following table provides information about the fees billed to the Company for professional services rendered by KPMG LLP, the Company's external auditor, during the fiscal years indicated:

	<b>Aggregate fees billed by the External Auditor</b>	
	<b>2008</b>	<b>2007</b>
	(\$ thousands)	
Audit fees .....	1,832	1,964
Audit-related fees .....	121	154
Tax fees .....	142	77
All other fees .....	41	—
	<b>2,136</b>	<b>2,195</b>

*Audit Fees.* Audit fees consist of fees for the audit of the Company's annual financial statements or services that are normally provided in connection with statutory and regulatory filings, including the Sarbanes-Oxley Act of 2002.

*Audit-Related Fees.* Audit-related services included attest services not required by statute or regulation and services with respect to acquisitions and dispositions.

*Tax Fees.* Tax fees included tax planning and various taxation matters.

*All Other Fees.* Other services provided by the Company's external auditor, other than audit, audit-related and tax services.

The audit fees disclosed in the table above reflect amounts billed in the period indicated rather than the period of the audit.

The Company's Audit Committee has the sole authority to review in advance, and grant any appropriate pre-approvals, of all non-audit services to be provided by the independent auditors and to approve fees, in connection therewith. The Audit Committee approved all of the audit-related, tax and other services provided by KPMG LLP in 2008.

## **LEGAL PROCEEDINGS**

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favour, the Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these or other matters or amount which it may be required to pay by reason thereof would have a material adverse impact on its financial position, results of operations or liquidity.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the Company's directors, executive officers or persons or companies that beneficially own or control or direct, directly or indirectly or a combination of both, more than 10% of Husky's common shares, or their associates and affiliates, had any material interest, direct or indirect, in any transaction with the Company within the three most recently completed financial years or during the current financial year that has materially affected or would reasonably be expected to materially affect the Company except as follows.

In late 2007, TransAlta Power, L.P. was acquired by an indirect subsidiary of Cheung Kong Infrastructure Holdings Limited, which is majority owned by Hutchison Whampoa Limited, which owns 100% of U.F. Investments (Barbados) Ltd. a 34.57% shareholder in Husky. TransAlta Power L.P. is a 49.99% owner of TransAlta Cogeneration, L.P., the Company's partner in the Meridian Cogeneration plant in Lloydminster, Saskatchewan. Husky sells natural gas to the Meridian Cogeneration plant and other cogeneration plants owned by TransAlta Power L.P. In 2008, Husky sold \$125 million of natural gas to TransAlta Power L.P.

The Company 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 – 8th Avenue S.W., Calgary, Alberta. Western Canadian Place Ltd. is indirectly controlled by the Company's principal shareholders. The Company's President & Chief Executive Officer is also a director and officer of Western Canadian Place Ltd. The Vice President, Special Projects of the Company's subsidiary, Husky Oil Operations Limited, was also a director and officer of Western Canadian Place Ltd. The Company was paid fees of \$99,715 in 2006 and \$129,547 in 2005 for providing such management services. This agreement was terminated effective August 31, 2006.

## **TRANSFER AGENT AND REGISTRARS**

Husky's transfer agent and registrar is Computershare Trust Company of Canada. In the United States, the transfer agent and registrar is Computershare Trust Company, Inc. The registers for transfers of the Company's common shares are maintained by Computershare Trust Company of Canada at its principal offices in the cities of Calgary and Toronto. Queries should be directed to Computershare Trust Company at 1-888-267-6555 (toll free in North America).

## **INTERESTS OF EXPERTS**

Certain information relating to the Company's reserves included in this Annual Information Form has been calculated by the Company and audited and opined upon as of December 31, 2008 by McDaniel & Associates Consultants Ltd. ("McDaniel"), independent petroleum engineering consultants retained by Husky, and has been so included in reliance on the opinion and analysis of McDaniel, given upon the authority of said firm as experts in

reserve engineering. The partners of McDaniel as a group beneficially own, directly or indirectly, less than 1% of the Company's securities of any class.

## **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration, principal shareholders of Husky's common shares and a description of options to purchase common shares will be contained in Husky's Management Information Circular to be dated March 12, 2009, prepared in connection with the annual meeting of shareholders to be held on April 21, 2009.

Additional financial information is provided in Husky's Consolidated Financial Statements and Management's Discussion and Analysis for the most recently completed fiscal year ended December 31, 2008.

**Additional information relating to Husky Energy Inc. is available on SEDAR at [www.sedar.com](http://www.sedar.com).**

## ABBREVIATIONS AND GLOSSARY OF TERMS

As used in this Annual Information Form, the following terms have the meanings indicated:

### Units of Measure

bbl	-barrel
bbls	-barrels
mbbls	-thousand barrels
mmbbls	-million barrels
bbls/day	-barrels per calendar day
mbbls/day	-thousand barrels per calendar day
boe	-barrels of oil equivalent
boe/day	-barrels of oil equivalent per calendar day
mcf	-thousand cubic feet
mmcf	-million cubic feet
bcf	-billion cubic feet
mmcf/day	-million cubic feet per calendar day
mcfge	-thousand cubic feet of gas equivalent
lt	-long ton
mlt	-thousand long tons
lt/day	-long tons per calendar day
mlt/day	-thousand long tons per calendar day
mmbtu	-million British thermal units
Kms	-kilometres
MW	-megawatts

### Acronyms

API	-American Petroleum Institute
CNOOC	-China National Offshore Oil Corporation
COGEH	-Canadian Oil and Gas Evaluation Handbook
EIA	-Energy Information Administration
EL	-Exploration Licence
ERCB	-Energy Resources Conservation Board
FAS	-Financial Accounting Statement
FASB	-Financial Accounting Standards Board
FPSO	-Floating production, storage and offloading vessel
LLB	-Lloydminster Blend
NGL	-Natural gas liquids
NWT	-Northwest Territories
NYMEX	-New York Mercantile Exchange
OPEC	-Organization of Petroleum Exporting Countries
PSC	-Production Sharing Contract
SAGD	-Steam assisted gravity drainage
SDL	-Significant Discovery License
SEC	-Securities and Exchange Commission of the United States
SEDAR	-System for Electronic Document Analysis and Retrieval
WCSB	-Western Canada Sedimentary Basin
WTI	-West Texas Intermediate crude oil

### **API° gravity**

Measure of oil density or specific gravity used in the petroleum industry. The American Petroleum Institute (API) scale expresses density such that the greater the density of the petroleum, the lower the degree of API gravity.

**Barrel**

A unit of volume equal to 42 U.S. gallons.

**Bitumen**

A highly viscous oil which is too thick to flow in its native state, and which cannot be produced without altering its viscosity. The density of bitumen is generally less than 10 degrees API.

**Bulk terminal**

A facility used primarily for the storage and/or marketing of petroleum products.

**Coal bed methane**

The primary energy source of natural gas is methane (CH<sub>4</sub>). Coal bed methane is methane found and recovered from the coal bed seams. The methane is normally trapped in the coal by water that is under pressure. When the water is removed the methane is released.

**Cold production**

A non-thermal production process for heavy oil in unconsolidated sand formations. During the cold production process, heavy oil and sand are produced simultaneously through the use of progressive cavity pumps, which produce high pressure in the reservoir.

**Debottleneck**

To remove restrictions thus improving flow rates and productive capacity.

**Delineation well**

A well in close proximity to an oil or gas well that helps determine the areal extent of the reservoir.

**Developed area**

A drainage unit having a well completed thereon capable of producing oil or gas in paying quantities.

**Development well**

A well drilled within the proved area of an oil and gas reservoir to the depth of a stratigraphic horizon known to be productive.

**Diluent**

A lighter gravity liquid hydrocarbon, usually condensate or synthetic oil, added to heavy oil to improve the transmissibility of the oil through a pipeline.

**Dry and abandoned well**

A well found to be incapable of producing oil or gas in sufficient quantities to justify completion as a producing oil or gas well.

**Enhanced recovery**

The increased recovery from a crude oil pool achieved by artificial means or by the application of energy extrinsic to the pool, which artificial means or application includes pressuring, cycling, pressure maintenance or injection to the pool of a substance or form of energy but does not include the injection in a well of a substance or form of energy for the sole purpose of aiding in the lifting of fluids in the well, or stimulation of the reservoir at or near the well by mechanical, chemical, thermal or explosive means.

**Exploration licence**

A licence with respect to the Canadian offshore or the Northwest or Yukon Territories conferring the right to explore for, and the exclusive right to drill and test for, petroleum; the exclusive right to develop the applicable area in order to produce petroleum; and, subject to satisfying the requirements for issuance of a production licence and compliance with the terms of the licence and other provisions of the relevant legislation, the exclusive right to obtain a production licence.

**Exploratory well**

A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously

found to be productive of oil or gas in another reservoir, or to extend a known reservoir. Generally, an exploratory well is any well that is not a development well, a service well, or a stratigraphic test well as those items are defined herein.

### **Field**

An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both.

### **Gathering system**

Pipeline system and associated facilities used to gather natural gas or crude oil from various wells and deliver it to a central point where it can be moved from there by a single pipeline to a processing facility or sales point.

### **Horizontal drilling**

Drilling horizontally rather than vertically through a reservoir, thereby exposing more of the well to the reservoir and increasing production.

### **Hydrogen sulphide**

A poisonous gas which is colourless and heavier than air and is found in sour gas.

### **Infill well**

A well drilled on an irregular pattern disregarding normal spacing requirements. These wells are drilled to produce from parts of a reservoir that would otherwise not be recovered through existing wells drilled in accordance with normal spacing.

### **Liquefied petroleum gas**

Liquefied propanes and butanes, separately or in mixtures.

### **Metoccean data**

Meteorological and oceanographic data used for, among other things, the design of marine structures.

### **Miscible flood**

An enhanced recovery method which requires that three fluids exist in the reservoir: the mobile oil to be recovered, a displacing fluid (NGL) injected to move as a bank behind the oil, and a fluid injected to propel the displacing fluid (chase gas) through the reservoir.

### **Multiple completion well**

A well producing from two or more formations by means of separate tubing strings run inside the casing, each of which carry hydrocarbons from a separate and distinct producing formation.

### **Natural gas liquids**

Those hydrocarbon components recovered from raw natural gas as liquids by processing through extraction plants, or recovered from field separators, scrubbers or other gathering facilities. These liquids include the hydrocarbon components ethane, propane, butanes and condensate, or a combination thereof.

### **Oil battery**

An accessible area to accommodate separators, treaters, storage tanks and other equipment necessary to process and store crude oil and other fluids prior to transportation.

### **Oil sands**

Sands and other rock materials which contain crude bitumen and include all other mineral substances in association therewith.

### **Overriding royalty interests**

An interest acquired or withheld in the oil and gas produced (or the proceeds from the sale of such oil and gas), received free and clear of all costs of development, operation, or maintenance and in addition to the usual landowner's royalty reserved to the lessor in an oil and gas lease.

**Primary recovery**

The oil and gas recovered by any method that may be employed to produce the oil or gas through a single well bore. The fluid enters the well bore by the action of native reservoir energy or gravity.

**Production Sharing Contract**

A contract for the development of resources under which the contractor's costs (investment) are recoverable each year out of the production but there is a maximum amount of production which can be applied to the cost recovery in any year. This annual allocation of production is referred to as cost oil, the remainder is referred to as profit oil and is divided in accordance with the contract between the contractor and the host government.

**Raw gas**

Gas as produced from a well before the separation there from of liquefiable hydrocarbons or other substances contained therein.

**Secondary recovery**

Oil or gas recovered by injecting water or gas into the reservoir to force additional oil to the producing wells. Usually, but not necessarily, this is done after the primary recovery phase has passed.

**Seismic (survey)**

A method by which the physical attributes in the outer rock shell of the earth are determined by measuring, with a seismograph, the rate of transmission of shock waves through the various rock formations. The rate at which the waves are transmitted varies with the medium through which they pass.

**Service well**

A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, saltwater disposal, water supply for injection, observation or injection for in-situ combustion.

**Significant discovery licence**

A licence issued following the declaration of a significant discovery, which is indicated by the first exploration well that demonstrates by flow testing the existence of sufficient hydrocarbons in a particular geological feature to suggest potential for sustained production. A Significant Discovery Licence confers the same rights as that of an Exploration Licence.

**Sour gas**

Natural gas contaminated with chemical impurities, notably hydrogen sulphide or other sulphur compounds. Such compounds must be removed before the gas can be used for commercial or domestic purposes.

**Specific gravity**

The ratio between the weight of equal volumes of water and another liquid measured at standard temperature, the weight of water is assigned a value of one (1). However, the specific gravity of oil is normally expressed in degrees of API gravity as follows:

$$\text{Degrees API} = \frac{141.5}{\text{Specific gravity @ F60 degrees}} - 131.5$$

**Spot price**

The price for a one-time open market transaction for immediate delivery of a specific quantity of product at a specific location where the commodity is purchased "on the spot" at current market rates.

**Steam assisted gravity drainage**

A recovery method used to produce heavy crude oil and bitumen in-situ. Steam is injected via a horizontal well along a producing formation. The temperature in the formation increases and lowers the viscosity of the crude oil allowing it to fall to a horizontal production well beneath the steam injection well.

**Step-out well**

A well drilled adjacent to a proven well but located in an unproven area; a well drilled in an effort to ascertain the extent and boundaries of a producing formation.

**Stratigraphic test well**

A drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intention of being completed for hydrocarbon production. This classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (i) “exploratory-type,” if not drilled in a proved area, or (ii) “development-type,” if drilled in a proved area.

**Synthetic oil**

A mixture of hydrocarbons derived by upgrading heavy crude oils, including bitumen, through a process that reduces the carbon content and increases the hydrogen content.

**Tertiary recovery**

The recovery of oil and gas by using exotic or complex recovery schemes involving steam, chemicals, gases or heat. Usually, but not necessarily, this is done after the secondary recovery phase has passed.

**Three-D seismic (survey)**

Three dimensional seismic imaging which uses a grid of numerous cables rather than a few lines stretched in one line.

**Turnaround**

Perform maintenance at a plant or facility which requires the plant or facility to be shut completely or partially down for the duration.

**Undeveloped area**

An area in which it has not been established by drilling operations whether oil and/or gas may be found in commercial quantities.

**Waterflood**

One method of secondary recovery in which water is injected into an oil reservoir for the purpose of forcing oil out of the reservoir and into the bore of a producing well.

**Well abandonment costs**

Costs of abandoning a well (net of any salvage value) and of disconnecting the well from the surface gathering system.

**Wellhead**

The structure, sometimes called the “Christmas tree,” that is positioned on the surface over a well that is used to control the flow of oil or gas as it emerges from the sub surface casinghead.

**Working interest**

An interest in the net revenues of an oil and gas property which is proportionate to the share of exploration and development costs borne until such costs have been recovered, and which entitles the holder to participate in a share of net revenue thereafter.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this Annual Information Form are forward-looking statements or information, collectively “forward-looking statements,” within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended, Section 27A of the United States Securities Act of 1933, as amended and of applicable Canadian Securities legislation. The Company is hereby providing cautionary statements identifying important factors that could cause the Company’s actual results to differ materially from those projected in forward-looking statements made in this Annual Information Form. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through

the use of words or phrases such as “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimated,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “objective” and “outlook”) are not historical facts and may be forward-looking statements and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In particular the 2009 spending plans for the Lima refinery; the anticipated effect of costs incurred for environmental protection to Husky’s liquidity and financial position in the long term; the anticipated effect of the Alberta Government’s new fiscal regime on Husky’s future net revenue; reserve estimates; discounted future net cash flows relating to proved oil and gas reserves; our plans to increase heavy oil production through the application of improved technologies; our exploration plans throughout the Western Canada Sedimentary Basin; our exploitation plans, schedules and production forecasts throughout the Western Canada Sedimentary Basin through optimizations, recompletions, workovers, enhanced recovery techniques, infill and step out drilling, additional facilities and tie-in of discovery wells; the schedule for detailed engineering, project sanction decision review and formal approval and production schedule for the Sunrise oil sands project; our White Rose tie-back project activities and schedule; plans regarding the development of the natural gas discoveries in the Jeanne d’Arc Basin; our expectations in respect of the timing of the Terra Nova re-determination; our drilling plans at Terra Nova; our East Coast exploration and delineation drilling plans; our seismic acquisition and exploration drilling programs in the South China Sea and the East China Sea; our delineation and exploration drilling program at the Liwan natural gas discovery in the South China Sea; our exploration drilling program on the East Bawean II PSC; our development plans for the BD natural gas and NGL in the Madura Strait, Indonesia; the schedule for our aerogravity and magnetic survey offshore Greenland; our plans for further pipeline expansion in the Cold Lake and Lloydminster areas; our plans to strategically locate new retail outlets and form strategic alliances in our downstream businesses and our plans to capture value through various business opportunities in the downstream business are forward-looking statements.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this Annual Information Form are reasonable, our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about ourselves and the businesses in which we operate. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources. In some instances, material assumptions are disclosed elsewhere in this Annual Information Form in respect of forward-looking statements. We caution the reader that the following list of assumptions is not exhaustive. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- no significant adverse changes to energy markets, competitive conditions, the supply and demand for crude oil, natural gas, NGL and refined petroleum products, or the political, economic and social stability of the jurisdictions in which we operate;
- no significant delays of the development, construction or commissioning of our projects that may result from the inability of suppliers to meet their commitments, lack of regulatory approvals or other governmental actions, harsh weather or other calamitous event;
- no significant disruption of our operations such as may result from harsh weather, natural disaster, accident, civil unrest or other calamitous event;
- no significant unexpected technological or commercial difficulties that adversely affect our exploration, development, production, processing or transportation;
- continuing availability of economical capital resources; demand for our products and our cost of operations;
- no significant adverse legislative and regulatory changes, in particular changes to the legislation and regulation governing fiscal regimes and environmental issues; environmental risks and liability under provincial/state, federal or other jurisdictions;
- stability of general domestic and global economic, market and business conditions; and
- no significant increase in the cost of our major growth projects.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. The risks, uncertainties and

other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- crude oil and natural gas prices;
- the economic conditions of the markets in which Husky conducts business;
- the price differential between light and heavy crude oil and demand related to various crude oil qualities;
- the price differential between refined products and crude oil;
- the exchange rate between the Canadian and U.S. dollar;
- the availability of incremental reserves of oil and gas, whether sourced from exploration, improved recovery or acquisitions;
- the availability of prospective drilling rights;
- the costs to acquire exploration rights, undertake geological studies, appraisal drilling and project development;
- the availability and cost of labour, material and equipment to efficiently, effectively and safely undertake capital projects;
- the costs to operate properties, plants and equipment in an efficient, reliable and safe manner;
- potential actions of governments, regulatory authorities and other stakeholders in the jurisdictions where the Company has operations;
- prevailing climatic conditions in the Company's operating locations;
- regulations to deal with climate change issues;
- changes to government fiscal policies;
- changes in workforce demographics; and
- the cost and availability of capital, including access to capital markets at acceptable rates.

These and other factors are discussed throughout this Annual Information Form and in our "Management's Discussion and Analysis of Financial Condition and Results of Operations," available on SEDAR at [www.sedar.com](http://www.sedar.com).

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable securities laws, the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

## Husky Energy Inc.

### Audit Committee Charter

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Husky Energy Inc. (the “Company”) will have the oversight responsibility, authority and specific duties as described below.

### Composition

The Committee will be comprised of three or more directors as determined by the Board, each of whom shall satisfy the independence and financial literacy requirements of applicable securities regulatory requirements. In addition, one of the members of the Committee will be an audit committee financial expert as defined in applicable securities regulatory requirements. The members of the Committee will be elected annually at the organizational meeting of the full Board on the recommendation of the Corporate Governance Committee to the Co-Chairmen and will be listed in the annual report to shareholders. One of the members of the Committee will be elected Committee Chair by the Board.

### Responsibility

The Committee is a part of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities with respect to:

- (i) the quarterly and annual financial statements and quarterly and annual MD&A be provided to shareholders and the appropriate regulatory agencies;
- (ii) earnings press releases before the Company publicly discloses this information;
- (iii) the system of internal controls that management has established;
- (iv) the internal and external audit process;
- (v) the appointment of qualified reserves evaluators or auditors; and
- (vi) the filing of statements and reports with respect to the Company’s oil and gas reserves.

In addition, the Committee provides an avenue for communication between the Board and each of internal audit, the external auditors, financial management, external qualified reserves evaluators or auditors and internal qualified reserves evaluators. The Committee should have a clear understanding with the external auditors and the external reserve evaluators or auditors that an open and transparent relationship must be maintained with the Committee.

The Committee will make regular reports to the Board concerning its activities.

While the Audit Committee has the responsibilities and powers set forth in this Charter, the role of the Audit Committee is oversight. The members of the Committee are not full time employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditors and, as to reserves, the external reserve evaluators or auditors. Management and the external auditors shall also have the responsibility to conduct investigations and to assure compliance with laws and regulations and the Company’s business conduct guidelines.

### Authority

Subject to the prior approval of the Board, the Committee is granted the authority to investigate any matter or activity involving financial accounting and financial reporting, the internal controls of the Company and the reporting of the Company’s reserves and oil and gas activities.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any advisors employed by the Committee.

In recognition of the fact that the independent auditors are ultimately accountable to the Committee, the Committee shall have the authority and responsibility to nominate for shareholder approval, evaluate and, where appropriate, replace the independent auditors and shall approve all audit engagement fees and terms and all non-

audit engagements with the independent auditors. The Committee shall consult with management and the internal audit group but shall not delegate these responsibilities.

### **Meetings**

The Committee is to meet at least four times annually and as many additional times as the Committee deems necessary. Committee members will strive to be present at all meetings either in person or by telephone. As necessary or desirable, but in any case at least quarterly, the Committee shall meet with members of management and representatives of the external auditors and internal audit in separate executive sessions to discuss any matters that the Committee or any of these groups believes should be discussed privately. Likewise, as necessary or desirable, but in any case at least annually, the Committee shall meet the management and representatives of the external reserve evaluators or auditors and internal reserves evaluators in separate executive sessions to discuss matters that the Committee or any of these groups believes should be discussed privately.

### **Specific Duties**

In carrying out its oversight responsibilities, the Committee will:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. (a) Review with the Company's management, internal audit and external auditors and recommend to the Board for approval the Company's annual financial statements and annual MD&A which is to be provided to shareholders and the appropriate regulatory agencies, including any financial statement contained in a prospectus, information circular, registration statement or other similar document.  
(b) Review with the Company's management, internal audit and external auditors and approve the Company's quarterly financial statements and quarterly MD&A which is to be provided to shareholders and the appropriate regulatory agencies.
3. Review with the Company's management and approve earnings press releases before the Company publicly discloses this information.
4. Recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services and the compensation to be paid to the external auditors. The external auditors shall report directly to the Committee.
5. Be directly responsible for the oversight of the work of the external auditors, including the resolution of disagreements between management of the Company and the external auditors regarding financial reporting.
6. Review with the Company's management, internal audit and external auditors the Company's accounting and financial reporting controls. Obtain annually in writing from the external auditors their observations, if any, on significant weaknesses in internal controls as noted during the course of their work.
7. Review with the Company's management, internal audit and external auditor's significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the external auditors their judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting.
8. Review the scope of internal audit's work plan for the year and receive a summary report of major findings by internal auditors and how management is addressing the conditions reported.
9. Review the scope and general extent of the external auditors' annual audit. The Committee's review should include an explanation from the external auditors of the factors considered in determining the audit scope, including the major risk factors. The external auditors should confirm to the Committee whether or not any limitations have been placed on the scope or nature of their audit procedures.
10. Inquire as to the independence of the external auditors and obtain from the external auditors, at least annually, a formal written statement delineating all relationships between the external auditors and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.

11. Have a predetermined arrangement with the external auditors that they will advise the Committee, through its Chair and management of the Company, of any matters identified through procedures followed for the review of interim quarterly financial statements of the Company, and that such notification is to be made prior to the related press release. Also receive a written confirmation provided by the external auditors at the end of each of the first three quarters of the year that they have nothing to report to the Committee, if that is the case, or the written enumeration of required reporting issues.
12. At the completion of the annual audit, review with management, internal audit and the external auditors the following:
  - The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders.
  - Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
  - Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the external auditors during their audit, including access to all requested records, data and information.
  - Inquire of the external auditors whether there have been any material disagreements with management, which, if not satisfactorily resolved, would have caused them to issue a non-standard report on the Company's financial statements.
13. Discuss with the external auditors, without management being present, (a) the quality of the Company's financial and accounting personnel, and (b) the completeness and accuracy of the Company's financial statements. Also, elicit the comments of management regarding the responsiveness of the external auditors to the Company's needs.
14. Meet with management, to discuss any relevant significant recommendations that the external auditors may have, particularly those characterized as 'material' or 'serious'. Typically, such recommendations will be presented by the external auditors in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from the external auditors and receive follow-up reports on action taken concerning the aforementioned recommendations.
15. Have the sole authority to review in advance, and grant any appropriate pre-approvals, of all non-audit services to be provided by the independent auditors and, in connection therewith, to approve all fees and other terms of engagement. The Committee shall also review and approve disclosures required to be included in periodic reports filed with Canadian securities regulators and the Securities and Exchange Commission with respect to non-audit services performed by external auditors.
16. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, and periodically assess the adequacy of those procedures.
17. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matter, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
18. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.
19. Review the appointment and replacement of the senior internal audit executive.
20. Review with management, internal audit and the external auditors the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by Company employees that may have a material impact on the financial statements.
21. Generally as part of the review of the annual financial statements, receive a report(s), at least annually, from the Company's general counsel concerning legal, regulatory and compliance matters that may have a material impact on the financial statements.

22. Review, with reasonable frequency, the Company's procedures relating to the disclosure of information with respect to the Company's oil and gas reserves, including the Company's procedures for complying with the disclosure requirements and restrictions of applicable regulations.
23. Review with management the appointment of external qualified reserves evaluators or auditors, and in the case of any proposed change in such appointment, determine the reasons for the change and whether there have been disputes between the appointed external qualified reserves evaluators or auditors, and management.
24. Review, with reasonable frequency, the Company's procedures for providing information to the external qualified reserves evaluators or auditors who report on reserves and data for the purposes of compliance with applicable securities laws.
25. Before the approval and the release of the Company's reserves data and the report of the qualified reserve evaluators or auditors thereon, meet with management, the external qualified reserves evaluators or auditors and the internal qualified reserves evaluators to determine whether any restrictions affect their ability to report on reserves data without reservation and to review the reserves data and the report of the qualified reserves evaluators.
26. Recommend to the Board for approval the content and filing of required statements and reports relating to the Company's disclosure of reserve data as prescribed by applicable regulations.
27. Review and approve (a) any change or waiver in the Company's Code of Business Conduct for the chief executive officer and senior financial officers and (b) any public disclosure made regarding such change or waiver.

Calgary, Alberta, Canada  
February 16, 2006

## Husky Energy Inc.

### Report on Reserves Data by Qualified Reserves Evaluator

To the Board of Directors of

Husky Energy Inc. (Husky):

1. Our staff has evaluated Husky's oil and gas reserves data as at December 31, 2008. The reserves data consist of the following:
  - (a) proved oil and gas reserve quantities estimated as at December 31, 2008 using constant prices and costs; and
  - (b) the related standardized measure of discounted future net cash flows.
2. The oil and gas reserves data are the responsibility of Husky's management. As the Corporate Representatives our responsibility is to certify that the reserves data has been properly calculated in accordance with generally accepted procedures for the estimation of reserves data.
3. We carried out our evaluation in accordance with generally accepted procedures for the estimation of oil and gas reserves data and standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGEH") with the necessary modifications to reflect definitions and standards under the applicable U.S. Financial Accounting Standards Board standards (the "FASB Standards" and the legal requirements of the U.S. Securities and Exchange Commission ("SEC Requirements")). Our internal reserves evaluators are not independent of Husky, within the meaning of the term "independent" under those standards.
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the oil and gas reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGEH as modified or replaced by the FASB Standards and SEC Requirements.
5. The following sets forth the estimated standardized measure of discounted future net cash flows (before deducting income taxes) attributed to proved oil and gas reserve quantities, estimated using constant prices and costs and calculated using a discount rate of 10%, included in the reserves data of Husky evaluated for the year ended December 31, 2008:

<b>Location of Reserves</b>	<b>Discounted Future Net Cash Flows before income taxes, 10% discount rate</b>
	(\$ millions)
Canada	8,633
China	156
Libya	<u>0</u>
	<u>8,789</u>

We have filed Husky's oil and gas reserves disclosures in accordance with Financial Accounting Standards Board Statement No. 69 "Disclosures about Oil and Gas Producing Activities" concurrently with this form.

6. In our opinion, the oil and gas reserves data evaluated by us have, in all material respects, been determined in accordance with principles and definitions presented in the COGEH as modified or replaced by the FASB Standards and SEC Requirements.
7. We have no responsibility to update our evaluation for events and circumstances occurring after the date of this report.

8. Oil and gas reserves are estimates only, and not exact quantities. In addition, the oil and gas reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Calgary, Alberta  
January 23, 2009

/s/ Frederick Au-Yeung  
Frederick Au-Yeung, P. Eng  
Manager of Reservoir Engineering

**Husky Energy Inc.****Report of Management and Directors on Reserves Data and Other Information**

Management of Husky Energy Inc. (“Husky”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes oil and gas reserves data, which consist of the following:

- (1) proved oil and gas reserve quantities estimated as at December 31, 2008 using constant prices and costs; and
- (2) the related standardized measure of discounted future net cash flows.

Husky’s oil and gas reserves evaluation process involves applying generally accepted procedures for the estimation of oil and gas reserves data for the purposes of complying with the legal requirements of the U.S. Securities and Exchange Commission (“SEC”) and the applicable provisions of the U.S. Financial Accounting Standards Board Statement of Financial Accounting Standards No. 69 (collectively, the “Oil and Gas Reserves Data Process”). Husky’s Internal Qualified Reserves Evaluator is the Manager of Reservoir Engineering, who is an employee of Husky and has evaluated Husky’s oil and gas reserves data and certified that the Reserves Data Process has been followed. The Report on Reserves Data by Husky’s Internal Qualified Reserves Evaluator accompanies this report and will be filed with securities regulatory authorities concurrently with this report.

The Audit Committee of the Board of Directors has:

- (a) reviewed the Company’s procedures for providing information to the internal qualified reserves evaluators and the external reserves auditors;
- (b) met with the Internal Qualified Reserves Evaluator and external reserves auditors to determine whether any restrictions placed by management affect the ability of the Internal Qualified Reserves Evaluator and the external reserves auditors to report without reservation; and
- (c) reviewed the reserves data with management, the Internal Qualified Reserves Evaluator and the external reserves auditors.

The Audit Committee of the Board of Directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved, on the recommendation of the Audit Committee:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2, which is the Report on Reserves Data of Husky’s Internal Qualified Reserves Evaluator; and
- (c) the content and filing of this report.

Husky sought and was granted by the Canadian Securities Administrators an exemption from the requirement under National Instrument 51-101 “Standards of Disclosure for Oil and Gas Disclosure” to involve independent qualified reserves evaluators or auditors. Notwithstanding this exemption, we involve independent qualified reserve auditors as part of Husky’s corporate governance practices. Their involvement helps assure that our internal oil and gas reserves estimates are materially correct.

In Husky’s view, the reliability of Husky’s internally generated oil and gas reserves data is not materially different than would be afforded by Husky involving independent qualified reserves evaluators or independent qualified reserves auditors to evaluate or audit and review the reserves data. Husky is therefore relying on an exemption, which it sought and was granted by securities regulatory authorities, from the requirement under securities legislation to involve independent qualified reserves evaluators or independent qualified reserves auditors.

The primary factors supporting the involvement of independent qualified reserves evaluators or independent qualified reserves auditors apply when (i) their knowledge of, and experience with, a reporting issuer’s reserves data are superior to that of the internal evaluators and (ii) the work of the independent qualified reserves evaluator

or independent qualified reserves auditors is significantly less likely to be adversely influenced by self-interest or management of the reporting issuer than the work of internal reserves evaluation staff. In Husky's view, neither of these factors applies in Husky's circumstances.

Husky's view is based in large part on the following. Our reserves data were developed in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook. Husky's procedures, records and controls relating to the accumulation of source data and preparation of reserves data by Husky's internal reserves evaluation staff have been established, refined and documented over many years. Our internal reserves evaluation staff includes 101 individuals, including support staff, of whom 50 individuals are qualified reserves evaluators as defined in the Canadian Oil and Gas Evaluation Handbook, with an average of 14 years of relevant experience in evaluating reserves. Husky's internal reserves evaluation management personnel includes 24 individuals with an average of 13 years of relevant experience in evaluating oil and gas and managing the evaluation process.

Reserves data are estimates only, and are not exact quantities. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

/s/ John C.S. Lau February 18, 2009  
John C. S. Lau  
*President & Chief Executive Officer*

/s/ James D. Girgulis February 18, 2009  
James D. Girgulis  
*Vice President, Legal & Corporate Secretary*

/s/ R. Donald Fullerton February 18, 2009  
R. Donald Fullerton  
*Director*

/s/ William Shurniak February 18, 2009  
William Shurniak  
*Director*

**Husky Energy Inc.****Independent Engineer's Audit Opinion****Husky Energy Inc.**

707 — 8th Avenue S.W.  
Calgary, Alberta  
T2P 3G7

Gentlemen:

Pursuant to Husky's request we have conducted an audit of the reserves estimates and the respective present worth value of these reserves of Husky Energy Inc., as at December 31, 2008. The Company's detailed reserves information was provided to us for this audit. Our responsibility is to express an independent opinion on the reserves and respective present worth value estimates, in aggregate, based on our audit tests and procedures.

We conducted our audit in accordance with Canadian generally accepted standards as described in the Canadian Oil and Gas Evaluation Handbook (COGEH) and auditing standards generally accepted in the United States of America. Those standards require that we review and assess the policies, procedures, documentation and guidelines of the Company with respect to the estimation, review and approval of Husky's reserves information. An audit includes examining, on a test basis, to confirm that there is adherence on the part of Husky's internal reserve evaluators and other employees to the reserves management and administration policies and procedures established by the Company. An audit also includes conducting reserves evaluation on sufficient number of Company properties as considered necessary to express an opinion.

Based on the results of our audit, it is our opinion that Husky's internally generated proved and probable reserves and net present values based on forecast and constant price assumptions are, in aggregate, reasonable and have been prepared in accordance with generally accepted oil and gas engineering and evaluation practices in the United States and as set out in the Canadian Oil and Gas Evaluation Handbook.

Sincerely,

**McDaniel & Associates Consultants Ltd.**

/s/ P.A. Welch  
P.A. Welch, P. Eng.  
*President & Managing Director*

Calgary, Alberta  
January 23, 2009