MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") April 27, 2009

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1. Summary of Quarterly Results

- Positive results in earnings and cash flow despite impact of global economic and financial crisis.
- Financial position remains strong with debt to cash flow ratio of 0.5 and return on equity of 23.8%.
- Cash flow from operations includes $82 million of cash tax instalments related to 2008 earnings with total cash taxes paid in the quarter of $697 million.
- Production in the first quarter on target compared with guidance.
- Average commodity price environment stabilized, however, significantly lower than prior year.
- Refined product margins improved compared to the fourth quarter of 2008.
- Action taken to respond to the deteriorating economic environment including reduced capital spending, implementation of cost containment and efficiency programs and managing access to credit markets to enhance liquidity.
- Major capital projects offshore Canada's East Coast and South East Asia on schedule.
- Drilling of the first Liwan appraisal well completed with encouraging results.

Quarterly Financial Summary [1]	Three months ended							
(millions of dollars, except per share amounts)	**March 31 2009**	Dec. 31 2008	Sept. 30 2008	June 30 2008	March 31 2008	Dec. 31 2007	Sept. 30 2007	June 30 2007
Sales and operating revenues, net of royalties	**$ 3,650**	$ 4,701	$ 7,715	$ 7,199	$ 5,086	$ 4,760	$ 4,351	$ 3,163
Net earnings	**328**	231	1,275	1,357	888	1,077	777	694
Per share - Basic and diluted	**0.39**	0.27	1.50	1.60	1.05	1.27	0.92	0.82
Cash flow from operations	**565**	332	1,999	2,077	1,538	1,423	1,425	1,215
Per share - Basic and diluted	**0.67**	0.39	2.35	2.45	1.81	1.68	1.68	1.43

[1] 2008 and 2007 amounts as restated for the adoption of a new accounting policy. Refer to Note 3 to the Consolidated Financial Statements.

2. Business Environment

Average Benchmarks		Three months ended					
		March 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008	March 31 2008	Dec. 31 2007
WTI crude oil [(1)]	*(U.S. $/bbl)*	**43.08**	58.73	117.98	123.98	97.90	90.68
Brent crude oil [(2)]	*(U.S. $/bbl)*	**44.40**	54.91	114.78	121.38	96.90	88.70
Canadian light crude 0.3% sulphur	*($/bbl)*	**50.09**	63.92	122.53	126.73	98.20	87.19
Lloyd heavy crude oil @ Lloydminster	*($/bbl)*	**35.72**	39.76	96.17	89.70	64.23	42.03
NYMEX natural gas [(1)]	*(U.S. $/mmbtu)*	**4.89**	6.94	10.24	10.93	8.03	6.97
NIT natural gas	($/GJ)	**5.34**	6.43	8.76	8.86	6.76	5.69
WTI/Lloyd crude blend differential	*(U.S. $/bbl)*	**9.20**	19.41	18.34	21.95	21.81	34.06
Chicago 3:2:1 crack spread	*(U.S. $/bbl)*	**9.49**	6.37	17.01	13.60	7.70	9.36
New York Harbor 3:2:1 crack spread	*(U.S. $/bbl)*	**10.15**	6.59	11.60	13.02	9.34	9.90
U.S./Canadian dollar exchange rate	*(U.S. $)*	**0.803**	0.825	0.960	0.990	0.996	1.018

[(1)] Prices quoted are near-month contract prices for settlement during the next month.
[(2)] Dated Brent prices which are dated less than 15 days prior to loading for delivery.

Oil and Gas Prices

Husky's earnings are largely determined by realized prices for crude oil and natural gas including the U.S./Canadian dollar exchange rate. Fluctuations in Husky's earnings are primarily related to the volatility of oil and gas prices, which are determined by market forces over which the Company has no control.

The declining global economy that precipitated the fall in commodity prices beginning in mid-2008, continued to deteriorate into the first quarter of 2009. The future direction of crude oil and natural gas prices is substantially dependent on the timing of the economic recovery. The sustainability of the recent gradual increase in crude oil prices in March is uncertain, particularly in light of the current high level of inventories and surplus productive capacity.

The price Husky receives for production from Western Canada is primarily driven by changes in the price of West Texas Intermediate ("WTI") while the majority of the Company's production offshore the East Coast of Canada is priced in reference to Brent, a key imported light sweet benchmark crude oil. The price of WTI ended 2008 at U.S. $44.60/bbl, subsequently fluctuating around U.S. $40.00/bbl in January and February and then increasing steadily in March to end the first quarter of 2009 at U.S. $49.66/bbl. During most of the first quarter of 2009, WTI traded at a discount to Brent due to an oversupply of WTI at Cushing, Oklahoma. During the first quarter of 2009, WTI averaged U.S. $43.08/bbl and Brent averaged U.S. $44.40/bbl. The average price of WTI in the first quarter of 2008 was U.S. $97.90/bbl and Brent was U.S. $96.90/bbl. The average price of WTI during the fourth quarter of 2008 was U.S. $58.73/bbl and Brent was U.S. $54.91/bbl.

A portion of Husky's crude oil production is classified as heavy crude oil, which trades at a discount to light crude oil. In the first quarter of 2009, 42% of Husky's crude oil production was heavy compared with 41% in the first quarter of 2008. The light/heavy crude oil differential averaged U.S. $9.20/bbl or a 21% discount to WTI in the first quarter of 2009 compared with U.S. $21.81/bbl or a 22% discount to WTI in the first quarter of 2008 and U.S. $19.41/bbl or a 33% discount to WTI in the fourth quarter of 2008.

The near-month natural gas price quoted on the NYMEX ended 2008 at U.S. $5.62/mmbtu and subsequently declined steadily through the first quarter of 2009 to U.S. $3.78/mmbtu at March 31, 2009. During the first quarter of 2009, the NYMEX near-month contract price of natural gas averaged U.S. $4.89/mmbtu compared with U.S. $8.03/mmbtu in the first quarter of 2008 and U.S. $6.94/mmbtu in the fourth quarter of 2008. In March 2009, the near-month price of natural gas dipped below U.S. $4.00/mmbtu, reflecting the end of the heating season and increased storage levels, and more significantly, the decline in industrial consumption as a result of the continued decline in economic activity. Natural gas storage levels were above historic levels throughout the quarter. At the end of the first quarter of 2009, natural gas inventories were 22% higher than the five-year average and 32% higher than the previous year.

Foreign Exchange

The majority of the Company's revenues are received in U.S. dollars from the sale of oil and gas commodities that receive prices determined by reference to U.S. benchmark prices. Husky's results are affected by the exchange rate between the Canadian and U.S. dollar with a decrease in the value of the Canadian dollar relative to the U.S. dollar increasing the revenues received from the sale of oil and gas commodities, offsetting the effect of lower oil and natural gas prices.

In the first quarter of 2009, the Canadian dollar averaged U.S. \$0.803 per Canadian dollar compared with U.S. \$0.996 during the first quarter of 2008. The Canadian dollar ended 2008 at U.S. \$0.817 and subsequently weakened by 3% against the U.S. dollar in the first quarter, closing at U.S. \$0.794 at March 31, 2009.

Refining Crack Spreads

The 3:2:1 crack spread is the key indicator for refining margins as refinery gasoline output is approximately twice the distillate output. This crack spread is equal to the price of two-thirds of a barrel of gasoline plus one-third of a barrel of fuel oil (distillate) less one barrel of crude oil. Market crack spreads are based on quoted near-month contracts for WTI and spot prices for gasoline and diesel, and do not necessarily reflect the actual crude purchase costs or product configuration of a specific refinery. During the first quarter of 2009, the Chicago 3:2:1 crack spread averaged U.S. \$9.49/bbl compared with U.S. \$7.70/bbl in the first quarter of 2008 and U.S. \$6.37/bbl in the fourth quarter of 2008. During the first quarter of 2009, the New York Harbor 3:2:1 crack spread averaged U.S. \$10.15/bbl compared with U.S. \$9.34/bbl in the first quarter of 2008 and U.S. \$6.59/bbl in the fourth quarter of 2008.

During the first quarter of 2009, the 3:2:1 crack spreads increased compared with the previous quarter, primarily due to the relative stability of crude oil prices and gradual rise in gasoline prices offsetting steady declines in diesel fuel prices.

Realized refining margins are affected by the product configuration of each refinery and by the time lag between the purchase and delivery of crude oil, which is accounted for on a first in first out basis in accordance with Canadian generally accepted accounting principles ("GAAP").

Cost Environment

The oil and gas industry experienced an increase in costs in excess of the general rate of inflation during the recent years of increasing energy prices. These increases affect the cost of operating the Company's oil and gas properties, processing plants and refineries. They also affect capital projects, which are susceptible to cost volatility. With the exception of energy consumed by the industry, the cost environment has not yet reflected, to the same extent as commodity prices, the impact of the current economic conditions. However, there are encouraging signs that current economic conditions will result in reduced capital and operating costs in the future.

Global Economic and Financial Crisis

The current global economic and financial crisis has reduced liquidity in financial markets, restricted access to financing and caused significant declines in economic activity resulting in demand destruction for commodities and lower pricing. This affected the economy in the latter half of 2008 and has continued into the first quarter of 2009.

As a result, world oil consumption has declined and commercial inventories of crude oil have reached above average historical levels. The Energy Information Administration's ("EIA") April 2009 Short-Term Energy Outlook [1] indicates that world oil consumption is expected to decline by 1.35 mmbbls/day in 2009 compared with 2008 primarily due to a 0.8% decrease in global GDP. The EIA expects most of the decline will occur in the first half of 2009 but expects the world oil consumption will grow by 1.1 mmbbls/day in 2010, due to an assumed increase in global GDP of 2.6%. The EIA expects 2009 non-OPEC supply of crude oil to remain close to 2008 levels and grow by a marginal 0.3 mmbbls/day in 2010. Estimated OPEC production fell to 28.5 mmbbls/day in the first quarter 2009. The EIA expects OPEC production to average approximately 28.8 mmbbls/day in 2009 and then increase approximately 3.5% in 2010 in response to an expected increase in global consumption.

Demand for natural gas in North American markets has also retracted in line with lower industrial and commercial consumption and, as a result, working gas in storage continues to increase above five-year averages. The EIA recently reduced its forecast for 2009 natural gas consumption by 1.8%. Natural gas supply is expected to decrease in 2009 as a result of curtailed drilling activity and high decline rates.

Note:

(1) *Energy Information Administration, Short-Term Energy Outlook DOE/EIA - April 14, 2009 Release*

In its April outlook the EIA estimates that gasoline consumption during the summer driving season in the U.S., which spans the second and third quarters, is expected to increase approximately 1% to 9.1 mmbbls/day compared to the 2008 driving season. A consistent increase in gasoline consumption is not expected to occur until the third quarter of 2009. Supply of gasoline from U.S. refiners is expected to increase in the summer driving season by approximately 0.2 mmbbls/day compared with summer 2008. Gasoline inventories are starting the summer about 2% below last year. Diesel fuel consumption is expected to average approximately 5% below last year. Supply of diesel fuel from U.S. refiners is expected to decrease in the summer by 7% and diesel inventories are approximately 27% above five-year averages.

The current prospect that demand for energy will increase later in 2009 and 2010 depends on a number of assumptions about the timing and sustainability of a global economic recovery.

Companies with low operating costs and flexible capital expenditure plans, strong cash generation from operations, availability of cash and cash equivalents, low debt with long maturities and unused committed credit facilities will be better positioned to manage through this crisis.

In view of the current economic environment, Husky has prudently reduced capital spending in 2009 and is reviewing and implementing cost containment and efficiency opportunities throughout the organization. Husky is managing its credit facilities and access to capital markets in order to enhance liquidity in the near term.

Sensitivity Analysis

The following table indicates the relative annual effect of changes in certain key variables on Husky's pre-tax cash flow and net earnings. The analysis is based on business conditions and production volumes during the first quarter of 2009. Each item in the sensitivity analysis shows the effect of an increase in that variable only; all other variables are held constant. While these sensitivities are applicable for the period and magnitude of changes on which they are based, they may not be applicable in other periods, under other economic circumstances or greater magnitudes of change.

Sensitivity Analysis	2009 First Quarter Average	Increase	Effect on Annual Pre-tax Cash Flow [6]		Effect on Annual Net Earnings [6]	
			($ millions)	*($/share)* [7]	*($ millions)*	*($/share)* [7]
Upstream and Midstream						
WTI benchmark crude oil price [1]	$ 43.08	*U.S. $1.00/bbl*	93	0.11	67	0.08
NYMEX benchmark natural gas price [2]	$ 4.89	*U.S. $0.20/mmbtu*	28	0.03	20	0.02
WTI/Lloyd crude blend differential [3]	$ 9.20	*U.S. $1.00/bbl*	(20)	(0.02)	(15)	(0.02)
Downstream						
Canadian light oil margins	$ 0.049	*Cdn $0.005/litre*	14	0.02	10	0.01
Asphalt margins	$ 18.32	*Cdn $1.00/bbl*	8	0.01	6	0.01
New York Harbor 3:2:1 crack spread [4]	$ 10.15	*U.S. $1.00/bbl*	86	0.10	55	0.06
Consolidated						
Exchange rate (U.S. $ per Cdn $) [1] [5]	$ 0.803	*U.S. $0.01*	(58)	(0.07)	(39)	(0.05)
Interest rate		*100 basis points*	-	-	-	-

[1] Does not include gains or losses on inventory.
[2] Includes decrease in net earnings related to natural gas consumption.
[3] Excludes impact on asphalt operations.
[4] Relates to U.S. Refining & Marketing.
[5] Assumes no foreign exchange gains or losses on U.S. dollar denominated long-term debt and other monetary items, including cash balances.
[6] Excludes derivatives.
[7] Based on 849.4 million common shares outstanding as of March 31, 2009.

3. Results of Operations

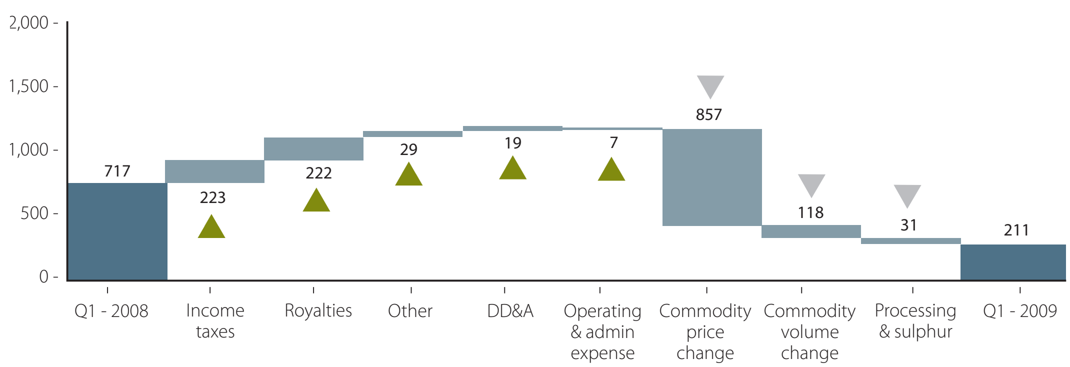
3.1 Upstream

Upstream Net Earnings Summary	Three months ended March 31	
(millions of dollars)	**2009**	2008
Gross revenues	**$ 1,247**	$ 2,253
Royalties	**202**	424
Net revenues	**1,045**	1,829
Operating and administration expenses	**377**	384
Depletion, depreciation and amortization	**371**	390
Other	**-**	29
Income taxes	**86**	309
Net earnings	**$ 211**	$ 717

Upstream earnings in the first quarter of 2009 decreased by $506 million compared with the first quarter of 2008 primarily as a result of declining crude oil and natural gas prices. Production of crude oil and natural gas declined 2% compared with the same period in 2008 mainly due to lower natural gas production.

During the first quarter of 2009, Husky's realized heavy crude oil and bitumen prices averaged 70% of its realized light crude oil and NGL prices versus 67% during the same period in 2008.

Upstream Net Earnings Variance Analysis
($millions)



Pricing

Average Sales Prices Realized		Three months ended March 31	
		2009	2008
Crude oil	*($/bbl)*		
Light crude oil & NGL		**$ 50.42**	$ 95.20
Medium crude oil		**40.68**	74.30
Heavy crude oil & bitumen		**35.46**	63.91
Total average		**43.12**	79.98
Natural gas	*($/mcf)*		
Average		**5.31**	7.04

Oil and Gas Production

Daily Gross Production		Three months ended March 31	
		2009	2008
Crude oil & NGL	*(mbbls/day)*		
Western Canada			
Light crude oil & NGL		**24.2**	25.4
Medium crude oil		**26.3**	26.9
Heavy crude oil & bitumen		**104.8**	104.3
		155.3	156.6
East Coast Canada			
White Rose - light crude oil		**70.0**	67.5
Terra Nova - light crude oil		**12.6**	14.9
China			
Wenchang - light crude oil & NGL		**12.2**	12.7
Total crude oil & NGL		**250.1**	251.7
Natural gas	*(mmcf/day)*	**551.2**	590.4
Total	*(mboe/day)*	**342.0**	350.1

Crude Oil and NGL Production

Crude oil and NGL production in the first quarter of 2009 decreased by 1% compared with the same period in 2008. On the East Coast, production from White Rose averaged 70.0 mbbls/day during the first quarter of 2009 compared with 67.5 mbbls/day during the same period in 2008. In the first quarter of 2009, production was impacted by subsea operational issues, which resulted in the loss of approximately 7 mbbls/day of production since October 31, 2008. In the first quarter of 2008, White Rose production was reduced as a result of a 13-day turnaround. At Terra Nova, facility operational issues resulted in lower production in 2009 compared with 2008.

During the first quarter of 2009, crude oil, bitumen and NGL production from Western Canada decreased by 1% compared with the first quarter of 2008 primarily due to reservoir decline and shut-in facilities partially offset by bitumen production increases of 2 mbbls/day.

Natural Gas Production

Production of natural gas was down approximately 8% in the first quarter of 2009 compared with the first quarter of 2008 due to reservoir decline and planned reductions in drilling and tie-in activity, as fewer new natural gas wells were drilled in 2009 compared with 2008, and flow line restrictions.

2009 Gross Production Guidance		Guidance 2009	Three months ended Mar. 31 **2009**	Year ended Dec. 31 2008
Crude oil & NGL	*(mbbls/day)*			
Light crude oil & NGL		92 - 109	**119**	123
Medium crude oil		25 - 28	**26**	27
Heavy crude oil & bitumen		95 - 105	**105**	107
		212 - 242	**250**	257
Natural gas	*(mmcf/day)*	585 - 620	**551**	594
Total barrels of oil equivalent	*(mboe/day)*	310 - 345	**342**	356

Royalties

In the first quarter of 2009, royalty rates averaged 16% compared with 19% in 2008. Royalty rates in Western Canada averaged 13% as a percentage of gross revenue, down from 15% in the first quarter of 2008 and for the East Coast rates averaged 24% compared with 24% in the first quarter of 2008.

Royalty rates in Wenchang averaged 9% compared with 26% in the first quarter of 2008. The royalty rate for Wenchang has declined due to the sliding scale royalty clause in the PSC that results in lower rates in lower commodity price environments.

Operating Costs

	Three months ended March 31	
(millions of dollars)	**2009**	2008
Western Canada	**$ 299**	$ 298
East Coast Canada	**36**	40
International	**5**	5
Total	**$ 340**	$ 343

Total operating costs have decreased as a result of reduced energy costs in all areas and lower ice management costs offshore Canada's East Coast, partially offset by higher maintenance costs in Western Canada. Total upstream unit operating costs in the first quarter of 2009 averaged $11.10/boe compared with $10.75/boe in the first quarter of 2008 primarily as a result of reduced production.

Operating costs in Western Canada averaged $13.48/boe compared with $12.85/boe in the same period in 2008 primarily as a result of lower production. Reduced energy costs and consumption were offset by increased maintenance costs. Costs are increasing in Western Canada due to the nature of exploitation necessary to manage production from maturing fields and new more extensive but less prolific reservoirs. Western Canada operations require increasing amounts of infrastructure including more wells, facilities associated with enhanced recovery schemes, more extensive pipeline systems, crude and water trucking and more complex natural gas compression systems. These factors in turn require higher energy consumption, workovers and generally more material costs. Husky is focused on managing rising operating costs through cost reduction and efficiency initiatives and keeping infrastructure, including gas plants, crude processing plants, transportation systems, compression systems, lease access and other infrastructure fully utilized.

Operating costs at the East Coast offshore operations averaged $4.86/bbl in the first quarter of 2009 compared with $5.27/bbl in the same period in 2008 primarily as a result of reduced ice management and maintenance activities and higher production in 2009.

Operating costs at the South China Sea offshore operations averaged $4.94/bbl in the first quarter of 2009 compared with $4.63/bbl in the same period in 2008, as a result of workover costs offset by lower energy costs combined with lower production.

Unit Depletion, Depreciation and Amortization ("DD&A")

In the first quarter 2009, total unit DD&A averaged $12.06/boe compared with $12.25/boe in the first quarter of 2008. The lower DD&A rate in Canada was primarily due to the disposition of 50% of the Sunrise oil sands asset in 2008, which reduced the full cost base by approximately $1.6 billion or $1.56/boe in the first quarter of 2009. This decrease was partially offset by lower oil and gas reserves.

Other Items

During the fourth quarter of 2008, a drilling contract previously treated as an embedded derivative no longer met the criteria and the related accounting treatment was discontinued. A loss of $28 million was recorded in the first quarter of 2008.

Upstream Capital Expenditures

In the first quarter of 2009, upstream capital expenditures were $668 million, 32% of the 2009 capital expenditure guidance. Husky's major upstream projects offshore the East Coast of Canada and offshore China remain on schedule. Upstream capital expenditures were $349 million (52%) in Western Canada, $210 million (31%) offshore the East Coast of Canada, $104 million (16%) in South East Asia, and $5 million (1%) in the Northwest United States.

Capital Expenditures Summary [1]	Three months ended March 31	
(millions of dollars)	**2009**	2008
Exploration		
Western Canada	**$ 68**	$ 206
East Coast Canada and Frontier	**54**	25
Northwest United States	**5**	-
International	**104**	30
	231	261
Development		
Western Canada	**281**	469
East Coast Canada	**156**	68
	437	537
	$ 668	$ 798

[1] *Excludes capitalized costs related to asset retirement obligations incurred during the period and the BP joint venture transaction.*

The following table discloses the number of gross and net exploration and development wells Husky completed in Western Canada and the oil sands during the periods indicated.

Western Canada and Oil Sands Wells Drilled		Three months ended March 31			
		2009		2008	
		Gross	**Net**	Gross	Net
Exploration	Oil	**2**	**2**	23	23
	Gas	**22**	**16**	57	49
	Dry	**5**	**5**	20	19
		29	**23**	100	91
Development	Oil	**75**	**63**	120	104
	Gas	**77**	**47**	116	87
	Dry	**4**	**4**	3	3
		156	**114**	239	194
Total		**185**	**137**	339	285

Western Canada

During the first quarter of 2009, Husky invested $349 million on exploration and development throughout the Western Canadian Sedimentary Basin. Of this, $127 million was invested on oil development and $93 million was invested on natural gas development. The Company drilled 137 net wells in the basin resulting in 65 net oil wells and 63 net natural gas wells. In addition, $13 million was spent on production optimization and operating cost reduction initiatives. Capital expenditures on facilities, land acquisition and retention and environmental protection amounted to $25 million. During the first quarter of

2009, $1 million was spent on property acquisitions. During the first quarter of 2009, capital expenditures on oil sands projects were minimal.

Husky's high impact exploration program is conducted along the foothills of Alberta and British Columbia and in the deep basin region of Alberta. In the first quarter of 2009, $49 million was invested in drilling in these natural gas prone areas and $41 million was spent on follow-up development including tie-ins, facility installation and development drilling. During this period, nine net exploration wells were drilled in the foothills and deep basin regions; eight net wells were cased as natural gas wells and one was cased as a net oil well. The remaining 14 net exploration wells were drilled primarily in the shallow regions of the Western Canada Sedimentary Basin.

The following table discloses Husky's offshore drilling activity:

Offshore Drilling Activity			
Canada - East Coast			
Mizzen O-16 Flemish Pass	WI 35%	Stratigraphic test	Exploratory
White Rose J-22-3	WI 72.5%	Gas injection well	Development
South East Asia - China			
QH 29-2-1 Block 39/05	WI 100% [1]	Stratigraphic test	Exploratory
Liwan 3-1-2 Block 29/26	WI 100% [1]	Stratigraphic test	Delineation

[1] CNOOC has the right to participate in development of discoveries up to 51%.

East Coast Development

During the first quarter of 2009, $156 million was incurred for East Coast development projects primarily for the North Amethyst and West White Rose tie-back development projects including the commencement of two development wells at North Amethyst and continuation of facilities procurement. Capital expenditures on the West White Rose satellite development were related to advancing the engineering design.

East Coast Exploration

During the first quarter of 2009, Husky spent $54 million primarily on the Mizzen exploration well in the Flemish Pass off the coast of Newfoundland.

Northwest United States

During the first quarter of 2009, Husky spent $5 million on the Gray 31-23 exploration well, which is currently drilling in the Columbia River Basin in south Washington State. Husky has a 50% working interest in this exploration well.

Offshore China and Indonesia

During the first quarter of 2009, $104 million was spent on offshore China projects including the Liwan natural gas discovery delineation program and drilling an exploration well on Block 39/05. In Indonesia, capital expenditures during the first quarter of 2009 were minimal.

2009 Upstream Capital Program [1] [2] *(millions of dollars)*		
Western Canada - oil and gas	$	725
- oil sands		65
East Coast Canada		800
International		500
Total upstream capital expenditures	$	2,090

[1] Excludes capitalized administrative costs and capitalized interest.
[2] Upstream capital expenditures for the three months ended March 31, 2009 were $668 million.

The 2009 capital budget has been established with a view to maintaining the strength of Husky's balance sheet during a period of significant economic and financial uncertainty. Capital expenditures will be focused on those projects offering the highest potential for returns and long-term growth. A number of projects have been deferred pending improved market conditions.

Capital expenditures for Western Canada upstream development and exploration will continue to optimize oil and gas producing assets and develop new resource plays. Capital spending on oil sands will be primarily to optimize development planning at Sunrise.

Offshore the East Coast of Canada, spending will be for North Amethyst tie-back development and to advance the West White Rose tie-back project.

In China and Indonesia, capital spending will be for the delineation and evaluation of the Liwan natural gas discovery, Madura BD, Indonesia natural gas and liquids development and exploration programs offshore China and Indonesia.

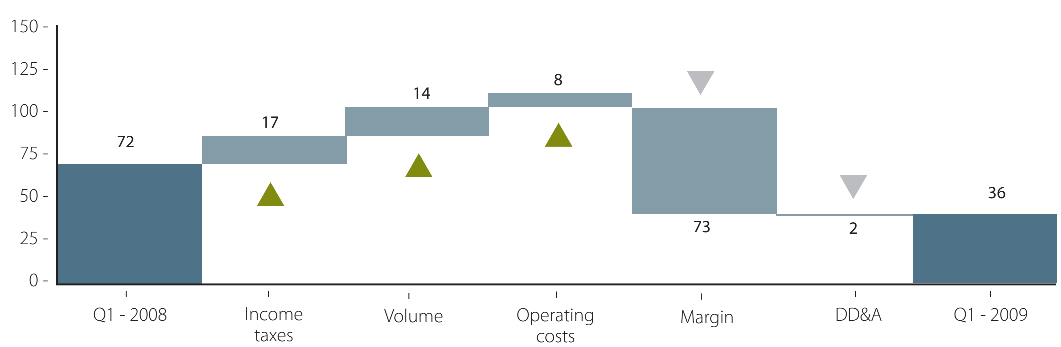
3.2 Midstream

Upgrading Net Earnings Summary [1]		Three months ended March 31	
(millions of dollars, except where indicated)		2009	2008
Gross margin		$ 112	$ 171
Operating and administration expenses		54	62
Other recoveries		(1)	(1)
Depreciation and amortization		8	6
Income taxes		15	32
Net earnings		$ 36	$ 72
Selected operating data:			
Upgrader throughput [2]	*(mbbls/day)*	76.2	64.7
Synthetic crude oil sales	*(mbbls/day)*	61.0	55.6
Upgrading differential	*($/bbl)*	$ 16.74	$ 28.53
Unit margin	*($/bbl)*	$ 20.53	$ 33.84
Unit operating cost [3]	*($/bbl)*	$ 7.88	$ 10.65

[1] 2008 amounts as restated for the adoption of a new accounting policy. Refer to Note 3 to the Consolidated Financial Statements.
[2] Throughput includes diluent returned to the field.
[3] Based on throughput.

The upgrading business segment adds value by processing heavy sour crude oil into high value synthetic crude oil and low sulphur distillates. The upgrader profitability is primarily dependent on the differential between the cost of heavy crude feedstock and the sales price of synthetic crude oil.

Upgrading Net Earnings Variance Analysis
($millions)



During the first quarter of 2009, the upgrading differential averaged $16.74/bbl, a decrease of $11.79/bbl or 41% compared with the first quarter of 2008. The differential is equal to Husky Synthetic Blend, which sells at a premium to West Texas Intermediate, less Lloyd Heavy Blend. The overall unit margin was 39% lower in the first quarter of 2009 compared with the same period in 2008 primarily as a result of the narrower heavy to light crude oil price difference. This decrease was partially offset by lower unit operating costs in the first quarter of 2009 compared with the first quarter of 2008 which resulted from lower energy costs. Upgrader throughput was 16% higher in the first quarter of 2009 compared with the same period in 2008 when operational issues resulted in facility downtime and reduced production.

Infrastructure and Marketing Net Earnings Summary		Three months ended March 31	
(millions of dollars, except where indicated)		2009	2008
Gross margin	- pipeline	$ 32	$ 25
	- other infrastructure and marketing	74	89
		106	114
Operating and administration expenses		4	3
Depreciation and amortization		9	8
Other		15	-
Income taxes		22	31
Net earnings		$ 56	$ 72
Selected operating data:			
Commodity volumes managed	*(mboe/day)*	1,110	1,127
Aggregate pipeline throughput	*(mbbls/day)*	529	504

Infrastructure and marketing net earnings in the first quarter of 2009 were $56 million compared with $72 million in the first quarter of 2008. Lower earnings were primarily due to lower margins on crude oil and natural gas trading contracts offset by higher pipeline throughput and tarrifs. Other expenses in the first quarter of 2009 consisted of $15 million of unrealized losses on natural gas storage contracts as a result of falling natural gas prices.

Midstream Capital Expenditures

In the first quarter of 2009, midstream capital expenditures totalled $33 million. At the Lloydminster upgrader, Husky spent $19 million, primarily for contingent consideration and facility reliability projects. The remaining $14 million was spent on the pipeline extension between Lloydminster and Hardisty, Alberta, tankage upgrades at Hardisty and capital enhancements of the cogeneration plants.

3.3 Downstream

Canadian Refined Products Net Earnings Summary [1] *(millions of dollars, except where indicated)*			Three months ended March 31 2009	2008
Gross margin	- fuel		$ 34	$ 29
	- ethanol		6	9
	- ancillary		9	10
	- asphalt		36	19
			85	67
Operating and administration expenses			19	3
Depreciation and amortization			23	20
Income taxes			13	13
Net Earnings			$ 30	$ 31
Selected operating data:				
Number of fuel outlets			490	501
Light oil sales		*(million litres/day)*	7.6	7.9
Light oil retail sales per outlet		*(thousand litres/day)*	12.5	13.1
Prince George refinery throughput		*(mbbls/day)*	10.6	11.4
Asphalt sales		*(mbbls/day)*	21.7	17.8
Lloydminster refinery throughput		*(mbbls/day)*	28.8	22.0
Ethanol production		*(thousand litres/day)*	604.3	649.1

[1] *2008 amounts as restated for the adaption of a new accounting policy. Refer to Note 3 to the Consolidated Financial Statements.*

Canadian Refined Products

Gross margin on fuel sales was higher in the first quarter of 2009 compared with 2008 due to higher refining crack spreads resulting from lower feedstock costs, partially offset by lower retail fuel prices. Asphalt margins increased 89% in the first quarter of 2009 compared with 2008 due to lower crude feedstock costs and improved sales volumes.

The lower ethanol gross margin in the first quarter of 2009 was due to lower prices resulting primarily from reduced gasoline rack pricing and low prices for U.S. imported ethanol. First quarter 2009 ethanol production decreased due to operational issues and reduced demand at the Lloydminster ethanol plant and reduced demand at the Minnedosa ethanol plant.

Operating and administration expenses in the first quarter of 2008 included a $15 million credit resulting from an insurance settlement.

U.S. Refining and Marketing Net Earnings Summary		Three months ended March 31	
(millions of dollars, except where indicated)		2009	2008
Gross refining margin		$ 218	$ 87
Processing costs		117	53
Operating and administration expenses		2	1
Interest - net		1	1
Depreciation and amortization		50	19
Other		12	-
Income taxes		13	5
Net earnings		$ 23	$ 8
Selected operating data:			
Lima Refinery throughput	*(mbbls/day)*	136.4	138.4
Toledo Refinery throughput	*(mbbls/day)*	60.8	-
Refining margin	*($/bbl crude throughput)*	$ 12.86	$ 6.91
Refinery feedstocks and refined products inventory	*(mmbbls)*	12.1	8.5

U.S. Refining and Marketing

On March 31, 2008, Husky completed a transaction that resulted in the formation of two joint venture entities forming an integrated oil sands business and a refining joint venture. Husky holds a 50% interest in the BP-Husky Toledo Refinery. Net earnings for the first quarter of 2009 include both the Lima and Toledo refineries whereas the comparative period in 2008 did not include the Toledo refinery.

Pricing for the refinery output at the Lima and Toledo refineries is impacted by the New York Harbor 3:2:1 and the Chicago 3:2:1 refining crack spread. Average refining crack spreads at Chicago increased to U.S. $9.49/bbl in the first quarter of 2009 from U.S. $7.70/bbl in the first quarter of 2008, a 23% increase and a 49% increase compared with the fourth quarter of 2008. In the first quarter of 2009, average New York Harbor 3:2:1 refining crack spreads increased to U.S. $10.15/bbl from U.S. $9.34/bbl in the same quarter in 2008, a 9% increase and a 54% increase compared with the fourth quarter of 2008.

The market refining crack spread is based on crude feedstock accounted for on a last in first out basis ("LIFO"). However, Husky's financial statements are based on first in first out ("FIFO") inventory accounting which is in accordance with Canadian GAAP. The rising crude oil prices in the first quarter of 2009 compared with the declining prices in the fourth quarter of 2008 contribute to the higher than market refining margins in the first quarter of 2009. In a stable commodity price environment FIFO and LIFO accounting should not result in significant differences between market benchmarks and individual refinery results.

Other expenses in the first quarter of 2009 consisted of unrealized pricing variances of $12 million on feedstock purchase contracts.

Downstream Capital Expenditures

In the first quarter of 2009, downstream capital expenditures totalled $31 million.

In Canada, capital expenditures totalled $5 million primarily for upgrades and environmental protection at the retail outlets, refineries and ethanol plants.

In the United States, capital expenditures totalled $26 million, $15 million at the Lima Refinery for the front end engineering design for an isocracker debottleneck project and for various environmental protection and facility upgrades. At the BP-Husky Toledo Refinery, capital expenditures totalled $11 million primarily for the continuous catalyst regeneration reformer project, facility upgrades and environmental protection.

3.4 Corporate

Corporate Summary	Three months ended March 31	
(millions of dollars) income (expense)	**2009**	2008
Intersegment eliminations - net	$ (39)	$ (9)
Administration expense	(8)	(7)
Other income (expense)	(16)	13
Stock-based compensation	4	43
Depreciation and amortization	(9)	(7)
Interest - net	(37)	(45)
Foreign exchange	33	(10)
Income taxes	44	10
Net earnings (loss)	$ (28)	$ (12)

Intersegment eliminations are profit included in inventory that has not been sold to third parties at the end of the period. In the first quarter of 2009, other expenses include additional insurance costs of $5 million and losses on forward purchases of U.S. dollars of $9 million. In the first quarter of 2008, other expenses included an unrealized gain of $15 million on forward purchases of U.S. dollars. The decrease in net interest expense compared with a year earlier was primarily due to retirement of debt in the second and third quarters of 2008.

Foreign Exchange Summary	Three months ended March 31	
(millions of dollars)	**2009**	2008
Unrealized loss on translation of U.S. dollar denominated long-term debt	$ 32	$ 44
Cross currency swaps	(12)	(14)
Contribution receivable	(42)	-
Other gains	(11)	(20)
Foreign exchange loss (gain)	$ (33)	$ 10
U.S./Canadian dollar exchange rates:		
At beginning of period	U.S. $0.817	U.S. $1.012
At end of period	U.S. $0.794	U.S. $0.973

Corporate Capital Expenditures

In the first quarter of 2009, corporate capital expenditures of $6 million were primarily for computer hardware, software, office furniture, renovations and equipment and system upgrades.

Consolidated Income Taxes

During the first quarter of 2009, consolidated income taxes were $105 million compared with $380 million in the same period of 2008 due to lower earnings. Current taxes in the first quarter of 2009 increased compared with the first quarter of 2008 due to record 2008 earnings that are taxable in 2009.

Cash taxes paid in the first quarter of 2009 were $697 million, of which $615 million relates to final instalments paid in respect of 2007 earnings, included in current liabilities at December 31, 2008, and $82 million relates to instalments paid in respect of 2008 earnings. Further cash tax instalments for the remainder of 2009 in respect of 2008 earnings are estimated to be $770 million with a further final payment of approximately $500 million in the first quarter of 2010.

4. Liquidity and Capital Resources

In the first quarter of 2009, Husky funded its capital programs and dividend payments by cash generated from operating activities, cash on hand and available credit facilities. Husky maintained its strong financial position with debt of $2,264 million partially offset by cash on hand of $95 million for $2,169 million of net debt. Husky has no long-term debt maturing until 2012. At March 31, 2009, the Company had $1.4 billion in unused committed credit facilities, $46 million in unused short-term uncommitted credit facilities and U.S. $3 billion of unused capacity under the renewed debt shelf prospectus (refer to Section 4.4).

Cash Flow Summary	Three months ended March 31	
(millions of dollars, except ratios)	**2009**	2008
Cash flow - operating activities [(1)]	**$ 235**	$ 1,224
- financing activities	**$ (128)**	$ (101)
- investing activities [(1)]	**$ (925)**	$ (965)
Financial Ratios		
Debt to capital employed *(percent)*	**13.5**	20.1
Debt to cash flow *(times)* [(2)]	**0.5**	0.6
Corporate reinvestment ratio *(percent)* [(2)] [(3)]	**77**	85

[(1)] 2008 amounts as restated for the adoption of a new accounting policy. Refer to Note 3 to the Consolidated Financial Statements.
[(2)] Calculated for the 12 months ended for the dates shown.
[(3)] Reinvestment ratio is based on net capital expenditures including corporate acquisitions.

4.1 Operating Activities

In the first quarter of 2009, cash generated from operating activities amounted to $235 million compared with $1.2 billion in the first quarter of 2008. Lower cash flow from operating activities was primarily due to lower upstream commodity prices, lower upgrading unit margins and payment of current income taxes in the first quarter of 2009 related to 2008 and 2007 earnings.

4.2 Financing Activities

In the first quarter of 2009, cash used in financing activities was $128 million compared with $101 million in the first quarter of 2008. Increased debt issuance was offset by a decrease in dividends payable. The debt issuances and repayments presented in the Consolidated Statements of Cash Flows include multiple drawings and repayments under revolving debt facilities.

4.3 Investing Activities

In the first quarter of 2009, cash used in investing activities amounted to $925 million compared with $965 million in the first quarter of 2008. Cash invested in both periods was used primarily for capital expenditures.

4.4 Sources of Capital

Husky is currently able to fund its capital programs principally by cash generated from operating activities and committed credit facilities. The Company also maintains access to sufficient capital via debt markets commensurate with the strength of its balance sheet. The Company is continually examining its options with respect to sources of long and short-term capital resources to ensure it retains financial flexibility.

Working capital is the amount by which current assets exceed current liabilities. At March 31, 2009, working capital was $179 million compared with $404 million at December 31, 2008.

Capital Structure	March 31, 2009	
(millions of dollars)	Outstanding	Available
Total short-term and long-term debt	$ 2,264	$ 1,409
Common shares, retained earnings and accumulated other comprehensive income	$ 14,510	

At March 31, 2009, Husky had unused committed long and short-term borrowing credit facilities totalling $1.4 billion. A total of $51 million of the Company's short-term borrowing credit facilities was used for bank operating loans and $110 million was used in support of outstanding letters of credit.

The Sunrise Oil Sands Partnership has an unsecured demand credit facility available of $10 million for general purposes. The Company's proportionate share is $5 million.

Husky filed a debt shelf prospectus with the Alberta Securities Commission on February 26, 2009 and the U.S. Securities and Exchange Commission on February 27, 2009. The shelf prospectus enables Husky to offer up to U.S. $3 billion of debt securities in the United States until March 26, 2011. During the 25 month period that the shelf prospectus remains effective, debt securities may be offered in amounts, at prices and on terms to be determined based on market conditions at the time of sale. As of the date of this Management's Discussion and Analysis, no debt securities were issued under this shelf prospectus.

4.5 Credit Ratings

Husky's credit ratings are available in its recently filed Annual Information Form at *www.sedar.com*.

4.6 Contractual Obligations and Commercial Commitments

Refer to Husky's 2008 annual Management's Discussion and Analysis under the caption "Cash Requirements," which summarizes contractual obligations and commercial commitments as at December 31, 2008. As at March 31, 2009, the Company did not have any significant additional contractual obligations or commercial commitments.

4.7 Off Balance Sheet Arrangements

Husky does not utilize off balance sheet arrangements with unconsolidated entities.

During the first quarter of 2009, Husky did not have any accounts receivable sold under a securitization program, which permitted the sale of a maximum $350 million of accounts receivable on a revolving basis. Husky has chosen not to renew the securitization agreement which expired on March 31, 2009.

4.8 Transactions with Related Parties

TransAlta Power, L.P. is an indirect subsidiary of Cheung Kong Infrastructure Holdings Ltd., 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., Husky'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. Husky received the market price or negotiated medium-term contracts based on market-related terms for these commodities. During the first quarter of 2009, Husky sold $28 million of natural gas to TransAlta Power, L.P.

5. Capability to Deliver Results and the Strategic Plan

Husky's capacity to deliver results and the strategic plan are described in the Company's annual MD&A and also in its Annual Information Form that are available from *www.sedar.com* and *www.sec.gov*.

In summary, Husky's current strategy is to continue to exploit oil and gas assets in Western Canada while expanding into new areas with large scale sustainable growth potential. The Company's plans include projects in Canada (the Alberta oil sands, the basins offshore Canada's East Coast and in the Central Mackenzie River Valley), Asia (the South China Sea, the Madura Strait and the East Java Sea), the U.S. Columbia River Basin and offshore Greenland. In the midstream and downstream sectors, Husky is enhancing performance and maximizing the value chain through integrating its businesses, optimizing plant operations and expanding plant and infrastructure.

6. Key Growth Highlights

The 2009 capital program of $2.6 billion focuses mainly on optimizing upstream production, midstream and downstream development and progressing major projects offshore Canada's East Coast and South East Asia. The 2009 capital budget has been established with a view to maintaining the strength of Husky's balance sheet during a period of significant economic and financial uncertainty. Capital expenditures will be focused on those projects offering the highest potential for returns and long-term growth.

Upstream

White Rose Development Projects

At the North Amethyst oil field, the *GSF Grand Banks* commenced drilling the first of two development wells in early March. Drilling operations were temporarily suspended in mid-March due to pack ice The rig returned to the field on April 12th. The remaining project activities remain on track. Subsea equipment and flow line installation and tie-back to the *SeaRose* production vessel is expected to commence in the summer of 2009 with first production planned for late 2009 or early 2010.

East Coast Exploration

The results of a 2,150 square kilometre 3-D seismic program, completed during the third quarter of 2008, continue to be evaluated for prospective drilling locations.

In December 2008, the Mizzen exploration well (35% working interest) located in the Flemish Pass Basin on Exploration Licence ("EL") 1049 was spudded and drilled to a total depth of 3,758 metres. The well encountered an oil bearing interval that was successfully flow tested. The results are currently being evaluated and will form the basis for a significant discovery licence application.

Offshore China Liwan Delineation

The *West Hercules* deep water drilling rig completed drilling and testing the first appraisal well at the Liwan natural gas discovery on Block 29/26 in the South China Sea and is currently drilling the second appraisal well.

The first well tested natural gas at an equipment restricted rate of 53 mmcf/day with indications that future well deliverability could exceed 150 mmcf/day. The initial deep water drilling program will include delineation wells at Liwan and exploration wells on other prospects in the area. The delineation program, including the exploration wells at the satellite prospects, will provide key information for the Liwan project's facilities design, which will commence in the second quarter of 2009.

Offshore China Exploration

During the first quarter of 2009, the shallow water jack-up drilling rig, *Frontier Discoverer*, completed drilling the QH 29-2-1 exploration well on Block 39/05 in the Pearl River Mouth Basin immediately southwest of the Wenchang oil fields. The well was plugged and abandoned without testing.

An exploration drilling program is being planned in the East China Sea on Block 04/35 and in the Yinggehai Basin on Blocks 35/18 and 50/14 near the Dong Fang and Ledong natural gas fields immediately west of Hainan Island. On Block 63/05 in the Qiondongnan Basin, 50 kilometres south of Hainan Island, existing 2-D seismic is currently being interpreted prior to acquiring 300 square kilometres of 3-D seismic by early 2010.

Indonesia Exploration and Development

The Madura BD field development plan has been approved by the Government of Indonesia and Husky awaits approval of an extension to the Production Sharing Contract ("PSC"). Engineering work has been tendered and will commence upon receipt of the PSC extension.

In the East Bawean II PSC, in which Husky holds a 100% interest, the *Transocean Adriatic XI* jack-up rig has been secured to drill two exploration wells in the third quarter of 2009.

Existing 2-D seismic for Husky's 100% interest in the North Sumbawa II Block, comprising 5,000 square kilometres in the East Java Sea, is currently being interpreted prior to acquiring 800 kilometres of new 2-D seismic by early 2010.

Sunrise Oil Sands Integrated Project

Husky and BP continue to progress development of the Sunrise project in multiple stages. Bitumen production from phase one (60 mbbls/day) is expected to commence approximately four years after project sanction and total production is currently planned to increase to 200 mbbls/day, subject to project sanction and market conditions. The project is in an optimization phase to simplify its scope and take advantage of the recent economic downturn in the demand for goods and services. The development of the Sunrise Oil Sands Project is strategically linked to the repositioning project at the Toledo Refinery.

Tucker Oil Sands Project

Organizational and operational integration of the Tucker Oil Sands Project with the Company's heavy oil and gas business unit continued through the first quarter of 2009. A number of optimization strategies to address production issues have been identified and will be tested over the next several months. Short-term production fluctuations may result as steam chamber development is prioritized. Oil sands production will not be ramping up quickly until there is improvement in the oil price.

United States

Drilling of the Grey 31-23 well in the Columbia River Basin located in Washington State continued in the first quarter. Based on well logs and core samples the well has encountered numerous sandstones that contain over 200 feet of porous and permeable gas bearing sands. The well is expected to reach total depth in early May.

Western Canada

Husky's Alkaline Surfactant Polymer ("ASP") enhanced oil recovery program, which currently includes ASP developments at Gull Lake and Fosterton, Saskatchewan and operating ASP applications at Warner and Crowsnest, Alberta, continues to advance. At Gull Lake, by the end of the first quarter of 2009 100% of the drilling program and pipeline construction and 90% of the ASP facility and oil battery modifications were complete. The Gull Lake project is expected to be commissioned in the second quarter of 2009. The front end engineering design for the Fosterton ASP project progressed in the first quarter of 2009 and the development of the project is expected to extend into 2010. Husky holds a 62.4% working interest.

Husky's development of the McMullen property, which is located in the west central region of the Athabasca oil sands of northern Alberta, involves a cold production project and plans for a thermal pilot project. Based on the results of a 2008 delineation and seismic program, the Company submitted an application to the Energy Resources Conservation Board in December 2008 to construct the thermal pilot. Husky is currently reassessing this project in light of current market conditions.

During the first quarter of 2009, Husky participated (50% working interest) in drilling approximately 15 coal bed methane wells in the Trochu, Alberta area, 10 of which utilized slant drilling technology. A total of 13 wells, drilled in the fourth quarter of 2008, were tied in during the quarter.

In the Lloydminster heavy oil producing area, Husky continues to test various non-thermal enhanced recovery techniques, which may be applicable in certain reservoirs. Operations continue at the Company's first pilot project where six successful injection/production cycles have been completed. This pilot will continue to provide insight into reservoir response and process economics. Production is planned to commence at a second pilot project utilizing CO_2 in the second quarter of 2009 following a six-month injection period.

Offshore Greenland

The acquisition of 7,000 kilometres of 2-D seismic acquired in the third quarter of 2008 on Blocks 5 and 7 continues to be evaluated. Husky is the operator and holds an 87.5% interest in these two blocks. Husky also holds a 43.75% working interest in Block 6 where 3,000 kilometres of 2-D seismic was acquired in the third quarter of 2008.

Downstream

Lima, Ohio Refinery

An engineering evaluation was completed in 2008 to determine the reconfiguration of the Lima Refinery to increase its capacity to process heavier, less costly, crude oil feedstock, realize complex refining processes to enhance margins and increase flexibility in product outputs. This project continues to be deferred subject to improved market conditions.

Toledo, Ohio Refinery

The Continuous Catalyst Regeneration Reformer Project progressed in the first quarter of 2009. The scope of this project is to replace two naphtha reformers and one hydrogen plant with one 42,000 bbls/day continuous catalyst regeneration reformer system plant. The project's objectives are to effectively and safely improve profitability while reducing operating risk, meet future product requirements and reduce the environmental footprint.

A project team has also been launched to reposition the refinery to process bitumen from the first two phases of the Sunrise oil sands integrated project. Due to the integrated nature of this project, progress will be coincident with the upstream development requirements. The refinery continues to make progress on a multi-year program to improve operational integrity and plant performance and reduce operating costs.

7. Risk Management

Husky is exposed to market risks and various operational risks. For a detailed discussion of these risks see the Company's 2008 Annual Information Form recently filed on the Canadian Securities Administrator's web site, *www.sedar.com*, the Securities and Exchange Commission's web site, *www.sec.gov* or Husky's web site *www.huskyenergy.com*.

Husky's financial risks are largely related to commodity prices, refinery crack spreads, exchange rates, interest rates, credit risk, changes in fiscal policy related to royalties and taxes and others. From time to time, Husky uses financial and derivative instruments to manage its exposure to these risks.

The global financial and economic crisis, which developed in 2008 has increased the risk associated with timely access to debt capital and banking markets and the current market instability may have an impact on Husky's ability to borrow in the capital debt markets at acceptable rates.

Interest Rate Risk Management

In the first three months of 2009, interest rate risk management activities resulted in a decrease to interest expense of $1 million.

Husky has interest rate swaps on $200 million of long-term debt effective February 8, 2002 whereby 6.95% was swapped for CDOR + 175 bps until July 14, 2009. In 2008, the interest rate swaps were discontinued as a fair value hedge as the $200 million medium-term notes were redeemed. During the first three months of 2009, a $2 million loss was recognized in other expenses on the Consolidated Statement of Earnings.

The amortization of previous interest rate swap terminations resulted in an additional $1 million offset to interest expense in the first three months of 2009.

Cross currency swaps resulted in an addition to interest expense of less than $1 million in the first three months of 2009.

Foreign Currency Risk Management

At March 31, 2009, Husky had the following cross currency debt swaps in place:

- U.S. $150 million at 6.25% swapped at $1.41 to $211 million at 7.41% until June 15, 2012.
- U.S. $75 million at 6.25% swapped at $1.19 to $89 million at 5.65% until June 15, 2012.
- U.S. $50 million at 6.25% swapped at $1.17 to $59 million at 5.67% until June 15, 2012.
- U.S. $75 million at 6.25% swapped at $1.17 to $88 million at 5.61% until June 15, 2012.

At March 31, 2009 the cost of a U.S. dollar in Canadian currency was $1.26.

During the first quarter of 2009, the Company unwound its two remaining forward purchases of U.S. dollars realizing a loss of $9 million recorded in other expenses in the Consolidated Statements of Earnings.

Husky's results are affected by the exchange rate between the Canadian and U.S. dollar. The majority of the Company's 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 the Company's 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 Husky's U.S. dollar denominated debt, as expressed in Canadian dollars, as well as in the related interest expense. At March 31, 2009, 88% or $2 billion of Husky's outstanding debt was denominated in U.S. dollars. The percentage of the Company's debt exposed to the Cdn/U.S. exchange rate decreases to 69% when the cross currency swaps are considered.

Effective July 1, 2007, the Company's U.S. $1.5 billion of debt financing related to the Lima acquisition was designated as a hedge of the Company's net investment in the U.S. refining operations, which are considered self-sustaining. During 2008, the Company repaid U.S. $750 million of bridge financing and repurchased U.S. $63 million of bonds that were classified as a net investment hedge. As a result, the Company's net investment hedge is limited to the remaining U.S. $687 million. In the first quarter of 2009, the unrealized foreign exchange loss arising from the translation of the debt was $20 million, net of tax recovery of $5 million, which was recorded in "Other Comprehensive Income."

The contribution receivable represents BP's obligation to fund capital expenditures of the Sunrise Oil Sands Partnership and a major portion of this receivable is denominated in U.S. dollars. Related gains and losses from changes in the value of the Canadian dollar versus the U.S. dollar are recorded in foreign exchange in current period earnings. At March 31, 2009, Husky's share 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 March 31, 2009, Husky's share of this obligation was U.S. $1.4 billion including accrued interest.

8. Critical Accounting Estimates

Certain of Husky's accounting policies require that it makes appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. For a discussion about those accounting policies, please refer to Husky's Management's Discussion and Analysis for the year ended December 31, 2008 available at *www.sedar.com*.

9. Accounting Policies

New Accounting Standards Adopted

As disclosed in Management's Discussion and Analysis for the year ended December 31, 2008, on January 1, 2009, Husky retroactively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets," which replaced CICA section 3062 of the same name. As a result of issuing this guidance, CICA section 3450, "Research and Development Costs," and Emerging Issues Committee ("EIC") Abstract No. 27, "Revenues and Expenditures during the Pre-operating Period," have been withdrawn. This new guidance requires recognizing all goodwill and intangible assets in accordance with CICA section 1000, "Financial Statement Concepts."

Section 3064 has eliminated the practice of recognizing items as assets that do not meet the section 1000 definition and recognition criteria. Under this new guidance, fewer items meet the criteria for capitalization. The adoption of this standard has resulted in a reduction of retained earnings at January 1, 2009 of $25 million, a reduction to assets of $36 million and a reduction to the future income tax liability of $11 million.

Recent Accounting Pronouncements

In January 2009, the CICA issued section 1582, "Business Combinations," which will replace CICA section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. Currently the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is agreed upon and announced. This new guidance generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price.

Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value through earnings each period until settled. Currently only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from non-current assets in the purchase price allocation. Section 1582 is effective for Husky on January 1, 2011 with prospective application and early adoption permitted.

In January 2009, the CICA issued section 1601, "Consolidated Financial Statements," which will replace CICA section 1600 of the same name. This guidance requires uniform accounting policies to be consistent throughout all consolidated entities and the difference between reporting dates of a parent and a subsidiary to be no longer than three months. These are not explicitly required under the current standard. Section 1601 is effective for Husky on January 1, 2011 with early adoption permitted. This standard will have no impact to the Company.

In January 2009, the CICA issued section 1602, "Non-controlling Interests," which will replace CICA section 1600, "Consolidated Financial Statements." Minority interest is now referred to as non-controlling interest, ("NCI"), and is presented within equity. Under this new guidance, when there is a change in control the previously held interest is revalued at fair value. Currently a gain of control is accounted for using the purchase method and a loss of control is accounted for as a sale resulting in a gain or loss in earnings. In addition, NCI can be in a deficit position because it is recorded at fair value. Currently, NCI is recorded at the carrying amount and can only be in a deficit position if the NCI has an obligation to fund the losses. Section 1602 is effective for Husky on January 1, 2011 with early adoption permitted.

International Financial Reporting Standards

In January 2006, the Canadian Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, as part of its strategic plan, the AcSB confirmed that Canadian publicly accountable entities will be required to report under International Financial Reporting Standards ("IFRS"), which will replace Canadian GAAP for years beginning on or after January 1, 2011. An omnibus exposure draft was issued by the AcSB in the second quarter of 2008, which incorporates IFRS into the CICA Handbook and prescribes the transitional provisions for adopting IFRS.

In March 2009, the AcSB issued a second omnibus exposure draft on the adoption of IFRS. This exposure draft confirms the IFRS transition date as January 1, 2011 for all Canadian publicly accountable enterprises, incorporates any changes to IFRS since the previous exposure draft was issued and discusses additional key transitional issues.

The Company commenced its IFRS transition project in 2008, which includes four key phases:

- Project awareness and engagement – This phase includes identifying and engaging the appropriate members for the core IFRS transition team, steering committee and other representatives as required. In addition, this phase includes communicating the key project requirements and objectives to the areas of the organization that will be impacted by IFRS conversion, including the Company's senior executive management team, Board of Directors and Audit Committee.
- Diagnostic – This phase includes an assessment of the differences between current Canadian GAAP and IFRS, focussing on the areas that will have the most significant impact to Husky. A preliminary conversion roadmap has been prepared as part of this phase.
- Design, planning and solution development – This phase focuses on determining the specific impacts to the Company based on the application of the IFRS requirements. This includes the design and development of detailed solutions and work plans by each key area to address implementation requirements. In addition, impact analysis will be performed on all areas of the business, including tax and information technology systems. Accounting policies will be finalized, first-time adoption exemptions will be considered, draft financial statements and disclosures will be prepared and a detailed implementation plan and timeline will be developed. This phase also includes the development of a training plan.
- Implementation – This phase includes implementing the required changes necessary for IFRS compliance. The focus of this phase is the finalization of IFRS conversion impacts, approval and implementation of accounting and tax policies, implementation and testing of new processes, systems and controls, execution of customized training programs and preparation of opening IFRS balances.

Corporate governance over the project has been established and a steering committee and project team have been formed. This committee is comprised of members of senior executive management and is responsible for final approval of project recommendations and deliverables to the Audit Committee and Board.

Due to the scope of the IFRS project, the Company ensured that the appropriate stakeholders have been engaged by establishing a project advisory committee, which includes representatives from each area of the organization that will be significantly impacted. Husky has also engaged an external advisor to assist with the IFRS conversion process.

The Company has completed the diagnostic assessment phase by performing comparisons of the differences between Canadian GAAP and IFRS. The Company has determined that the most significant impact of IFRS conversion is to property, plant and equipment. IFRS does not prescribe specific oil and gas accounting guidance other than for costs associated with the exploration and evaluation phase.

The Company currently follows full cost accounting as prescribed in Accounting Guideline ("AcG") 16, "Oil and Gas Accounting – Full Cost." Conversion to IFRS may have a significant impact on how the Company accounts for costs pertaining to oil and gas activities, in particular those related to the pre-exploration and development phases. In addition, the level at which impairment tests are peformed and the impairment testing methodology will differ under IFRS.

The IFRS conversion will also result in other impacts, some of which may be significant in nature. Initial assessments of other impacts completed to date include foreign exchange, revenue recognition, provisions and asset retirement obligations. During the first quarter of 2009, the Company presented preliminary accounting assessments on key IFRS transition issues for the steering committee's initial review and evaluation. These assessments will need to be further analyzed and evaluated in the implementation phase of the Company's project. At this time, the impact on the Company's financial position and results of operations is not reasonably determinable or estimable for any of the IFRS conversion impacts identified.

The Company is currently completing the design, planning and solution development phase. Project team members have been working in conjunction with representatives from the various operational areas to evaluate the specific impacts of IFRS conversion to Husky and to develop recommendations and accounting policies. Communication, training and education are a critical aspect of the Company's IFRS conversion project; therefore training and education sessions will continue throughout each phase of the project.

In September 2008, the International Accounting Standards Board ("IASB") issued an exposure draft, which proposes additional exemptions for entities adopting IFRS for the first time. One of these proposed exemptions relates to companies using the full cost method of accounting. If the exposure draft is finalized, this exemption will allow entities to allocate their oil and gas asset balance as determined under full cost accounting to the IFRS categories of exploration and evaluation assets and development and producing properties. This exemption would relieve entities from significant adjustments resulting from retrospective adoption of IFRS. The Company intends to utilize this exemption if it is approved and finalized as part of IFRS. Husky is also evaluating other first-time adoption exemptions available upon initial transition that give relief from retrospective application of IFRS.

In addition, the Company is monitoring the IASB's active projects and all changes to IFRS prior to January 1, 2011 will be incorporated as required.

10. Outstanding Share Data

(in thousands)	April 17 2009	December 31 2008
Issued and outstanding		
Number of common shares	849,437	849,355
Number of stock options	29,833	30,827
Number of stock options exercisable	7,067	7,239

11. Reader Advisories

This MD&A should be read in conjunction with the Consolidated Financial Statements and related Notes. Readers are encouraged to refer to Husky's MD&A and Consolidated Financial Statements and 2008 Annual Information Form filed in 2009 with Canadian regulatory agencies and Form 40-F filed with the Securities and Exchange Commission, the U.S. regulatory agency. These documents are available at *www.sedar.com*, at *www.sec.gov* and at *www.huskyenergy.com*.

Use of Pronouns and Other Terms Denoting Husky

In this MD&A, the terms "Husky" and "the Company" denote the corporate entity Husky Energy Inc. and its subsidiaries on a consolidated basis.

Standard Comparisons in this Document

Unless otherwise indicated, the discussions in this MD&A with respect to results for the three months ended March 31, 2009 are compared with results for the three months ended March 31, 2008. Discussions with respect to Husky's financial position as at March 31, 2009 are compared with its financial position at December 31, 2008.

Additional Reader Guidance

- The Consolidated Financial Statements and comparative financial information included in this interim report have been prepared in accordance with Canadian GAAP.
- All dollar amounts are in millions of Canadian dollars, unless otherwise indicated.
- Unless otherwise indicated, all production volumes quoted are gross, which represent the Company's working interest share before royalties.
- Prices quoted include or exclude the effect of hedging as indicated.

Non-GAAP Measures

Disclosure of Cash Flow from Operations

Management's Discussion and Analysis contains the term "cash flow from operations," which should not be considered an alternative to, or more meaningful than "cash flow - operating activities" as determined in accordance with generally accepted accounting principles, as an indicator of Husky's financial performance. Cash flow from operations or earnings is presented in Husky's financial reports to assist management and investors in analyzing operating performance by business in the stated period. Husky's determination of cash flow from operations may not be comparable to that reported by other companies. Cash flow from operations equals net earnings plus items not affecting cash which include accretion, depletion, depreciation and amortization, future income taxes, foreign exchange and other non-cash items.

The following table shows the reconciliation of cash flow from operations to cash flow - operating activities for the periods noted:

(millions of dollars)		Three months ended March 31 2009	2008 [1]
Non-GAAP	Cash flow from operations	$ 565	$ 1,538
	Settlement of asset retirement obligations	(10)	(17)
	Change in non-cash working capital	(320)	(297)
GAAP	Cash flow - operating activities	$ 235	$ 1,224

[1] *2008 amounts as restated for the adoption of a new accounting policy. Refer to Note 3 to the Consolidated Financial Statements.*

Disclosure of Adjusted Net Earnings

This interim report may contain the term "adjusted net earnings," which is a non-GAAP measure of net earnings adjusted for certain items that are not an indicator of the Company's on-going financial performance. The following table shows the reconciliation of net earnings to adjusted net earnings for the periods shown:

(millions of dollars)		Three months ended March 31 2009	Three months ended March 31 2008 [1]
GAAP	Net earnings	$ 328	$ 888
	Net inventory write-downs	19	4
Non-GAAP	Adjusted net earnings	$ 347	$ 892

[1] 2008 amounts as restated for the adoption of a new accounting policy. Refer to Note 3 to the Consolidated Financial Statements.

Cautionary Note Required by National Instrument 51-101

The Company uses the terms barrels of oil equivalent ("boe") and thousand cubic feet of gas equivalent ("mcfge"), which are calculated on an energy equivalence basis whereby one barrel of crude oil is equivalent to six thousand cubic feet of natural gas. Readers are cautioned that the terms boe and mcfge may be misleading, particularly if used in isolation. This measure is primarily applicable at the burner tip and does not represent value equivalence at the wellhead.

Husky's disclosure of reserves data and other oil and gas information is made in reliance on an exemption granted to Husky by Canadian securities regulatory authorities, which permits Husky to provide disclosure required by and consistent with the requirements of the United States Securities and Exchange Commission and the Financial Accounting Standards Board in the United States in place of much of the disclosure expected by National Instrument 51-101, "Standards of Disclosure for Oil and Gas Activities." Please refer to "Disclosure of Exemption Under National Instrument 51-101" on page 3 of Husky's Annual Information Form for the year ended December 31, 2008 filed with securities regulatory authorities for further information.

Abbreviations

bbls	*barrels*
bps	*basis points*
mbbls	*thousand barrels*
mbbls/day	*thousand barrels per day*
mmbbls	*million barrels*
mcf	*thousand cubic feet*
mmcf	*million cubic feet*
mmcf/day	*million cubic feet per day*
bcf	*billion cubic feet*
tcf	*trillion cubic feet*
boe	*barrels of oil equivalent*
mboe	*thousand barrels of oil equivalent*
mboe/day	*thousand barrels of oil equivalent per day*
mmboe	*million barrels of oil equivalent*
mcfge	*thousand cubic feet of gas equivalent*
GJ	*gigajoule*
mmbtu	*million British thermal units*
mmlt	*million long tons*
NGL	*natural gas liquids*
WTI	*West Texas Intermediate*
NYMEX	*New York Mercantile Exchange*
NIT	*NOVA Inventory Transfer*
LIBOR	*London Interbank Offered Rate*
CDOR	*Certificate of Deposit Offered Rate*
EDGAR	*Electronic Data Gathering, Analysis and Retrieval (U.S.A.)*
SEDAR	*System for Electronic Document Analysis and Retrieval (Canada)*
FPSO	*Floating production, storage and offloading vessel*
FEED	*Front end engineering design*
OPEC	*Organization of Petroleum Exporting Countries*
GDP	*Gross domestic product*
MD&A	*Management's Discussion and Analysis*

Terms

Bitumen	*A naturally occurring viscous mixture consisting mainly of pentanes and heavier hydrocarbons. It is more viscous than 10 degrees API*
Capital Employed	*Short- and long-term debt and shareholders' equity*
Capital Expenditures	*Includes capitalized administrative expenses and capitalized interest but does not include proceeds or other assets*
Capital Program	*Capital expenditures not including capitalized administrative expenses or capitalized interest*
Cash Flow from Operations	*Earnings from operations plus non-cash charges before settlement of asset retirement obligations and change in non-cash working capital*
Coal Bed Methane	*Methane (CH_4), the principal component of natural gas, is adsorbed in the pores of coal seams*
Corporate Reinvestment Ratio	*Net capital expenditures (capital expenditures net of proceeds from asset sales) plus corporate acquisitions (net assets acquired) divided by cash flow from operations calculated on a 12-month trailing basis*
Dated Brent	*Prices which are dated less than 15 days prior to loading for delivery*
Debt to Capital Employed	*Total debt divided by total debt and shareholders' equity*
Debt to Cash Flow	*Total debt divided by cash flow from operations calculated on a 12-month trailing basis*
Delineation Well	*A well in close proximity to an oil or gas discovery well that helps determine the areal extent of the reservoir*
Diluent	*A lighter gravity liquid hydrocarbon, usually condensate or synthetic oil, added to heavy oil to facilitate transmissibility through a pipeline*
Embedded Derivative	*Implicit or explicit term(s) in a contract that affects some or all of the cash flows or the value of other exchanges required by the contract*
Equity	*Shares, retained earnings and accumulated other comprehensive income*
Feedstock	*Raw materials which are processed into petroleum products*
Front End Engineering Design	*Preliminary engineering and design planning, which among other things, identifies project objectives, scope, alternatives, specifications, risks, costs, schedule and economics*
Glory Hole	*An excavation in the seabed where the wellheads and other equipment are situated to protect them from scouring icebergs*
Gross/Net Acres/Wells	*Gross refers to the total number of acres/wells in which an interest is owned. Net refers to the sum of the fractional working interests owned by a company*

Gross Reserves/Production	*A company's working interest share of reserves/production before deduction of royalties*
Hectare	*One hectare is equal to 2.47 acres*
Near-month Prices	*Prices quoted for contracts for settlement during the next month*
NOVA Inventory Transfer	*Exchange or transfer of title of gas that has been received into the NOVA pipeline system but not yet delivered to a connecting pipeline*
Return on Capital Employed	*Net earnings plus after tax interest expense calculated on a 12-month trailing basis divided by average capital employed*
Return on Shareholders' Equity	*Net earnings calculated on a 12-month trailing basis divided by average shareholders' equity*
Stratigraphic Well	*A geologically directed test well to obtain information. These wells are usually drilled without the intention of being completed for production*
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*
Three Dimensional (3-D) Seismic	*Seismic imaging which uses a grid of numerous cables rather than a few lines stretched in one line*
Total Debt	*Long-term debt including current portion and bank operating loans*
Turnaround	*Scheduled performance of plant or facility maintenance*

12. Forward-Looking Statements and Information

Certain statements in this release and interim report are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of the applicable Canadian securities legislation, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. The Company hereby provides cautionary statements identifying important factors that could cause actual results to differ materially from those projected in these forward-looking statements. 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," "target," "schedules" and "outlook") are not historical facts and are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond the Company's control and difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Therefore, any such forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this release.

In particular, forward-looking statements in this MD&A include, but are not limited to statements about the Company's general strategic plans, 2009 production and capital program guidance, development plans for the North Amethyst oil field, and the Company's intention to apply for a significant discovery licence based on the results of the Company's Mizzen O-16 exploration well, production optimization plans for the Tucker in-situ oil sands project, Sunrise multiphase development plans and productive capacity, development plans for the McMullen property, the exploration well in the Columbia River Basin, the exploration program in the South China Sea and East China Sea and delineation drilling plans for the Liwan natural gas discovery, the receipt of an extension of the PSC for the Madura BD natural gas and NGL field and the two-well work program for the East Bawean II and exploration plans for the North Sumbawa II exploration blocks, plans to install various enhanced recovery schemes and drilling programs in Western Canada and the review of options in respect of reconfiguring the Lima Refinery and plans to modify the Toledo Refinery.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this release are reasonable, the Company's 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 the Company about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources.

The Company's Annual Information Form filed on February 18, 2009 and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com and the EDGAR website www.sec.gov) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement 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 statement.