

Husky Energy Inc.

Annual Information Form

For the Year Ended December 31, 2010

March 8, 2011

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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 barrel of oil equivalent (“boe”) basis using the ratio of six thousand cubic feet (“mcf”) of natural gas to one barrel (“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 boe and thousands of cubic feet equivalents (“mcfge”) are based on a conversion rate of six mcf to one bbl.

The Company has disclosed discovered petroleum initially-in-place in this Annual Information Form. Discovered petroleum initially-in-place is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves and contingent resources; the remainder is unrecoverable. A recovery project cannot be defined for these volumes of discovered petroleum initially-in-place at this time. There is no certainty that it will be commercially viable to produce any portion of the resources.

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.

Cautionary Note to U.S. Investors

The United States Securities and Exchange Commission (“SEC”) permits U.S. oil and gas companies, in their filings with the SEC, to separately disclose proved, probable and possible reserves that have been determined in accordance with SEC rules. Husky uses certain terms in this document, such as “discovered petroleum initially-in-place” that the SEC's guidelines strictly prohibit in filings with the SEC by U.S. oil and gas companies.

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 dollar/U.S. dollar rate of exchange or the cost of a U.S. dollar in Canadian currency for the three years indicated.

	Year ended December 31		
<i>(Cdn \$ per U.S. \$)</i>	2010	2009	2008
Year end	0.995	1.047	1.224
Low	0.995	1.029	0.972
High	1.078	1.300	1.297
Average	1.030	1.136	1.066

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 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” (“NI 51-101”) to involve independent qualified oil and gas reserves evaluators or auditors. Notwithstanding this exemption, we involve independent qualified reserves 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 to evaluate and review the reserves data. The primary factors supporting the involvement of independent qualified reserves evaluators 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 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.

In the past, Husky has also sought and been granted by the Canadian Securities Administrators permission to make certain disclosure of its oil and gas activities in accordance with U.S. disclosure requirements. This permission ceased to be available after January 1, 2011, although the Company received an exemption from the Canadian Securities Administrators which allows the Company to also disclose its reserves using U.S. disclosure requirements as supplementary disclosure to the reserves and oil and gas activities disclosure required by NI 51-101.

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. 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.

CORPORATE STRUCTURE

Husky Energy Inc.

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

Husky Energy Inc. 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.⁽¹⁾ All of the following companies and partnerships, except as otherwise indicated, are 100% beneficially owned or controlled or directed, directly or indirectly.

Name	Jurisdiction
Subsidiaries of Husky Energy Inc.	
Husky Oil Operations Limited ("HOOL")	Alberta
Subsidiaries of Husky Oil Operations Limited	
Husky Oil Limited Partnership	Alberta
Husky Terra Nova Partnership	Alberta
Husky Downstream General Partnership	Alberta
Husky Energy Marketing Partnership	Alberta
Sunrise Oil Sands Partnership (50%)	Alberta
BP Husky Refining LLC (50%)	Delaware
Lima Refining Company	Delaware
Husky Marketing and Supply Company	Delaware

Note:

(1) Principal operating subsidiaries exclusive of intercorporate relationships due to financing related receivables and investments.

GENERAL DEVELOPMENT OF HUSKY

Three Year History of Husky

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 Suncor (formerly Petro-Canada) and StatoilHydro to secure the semi-submersible drilling rig, *Henry Goodrich*, for a period of 24 to 30 months. The agreement allowed Husky to 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 an 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 (“PSC”). CNOOC paid U.S. \$125 million to acquire a 50% equity interest in Husky Oil (Madura) Ltd. (“HOML”), which holds the Madura Strait PSC.

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 sq km and is located in the Qiongdongnan Basin approximately 100 km south of Hainan Island, in less than 120m 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 (Block 1 and 3) offshore Labrador, on the Labrador Shelf. Parcel NL07-2-1, Block 1, covers approximately 2,370 sq km and Parcel NL07-2-3, Block 3, covers approximately 2,337 sq km.

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

2009

In 2009, Husky completed drilling and testing of three appraisal wells at the Liwan 3-1 field on Block 29/26, in the South China Sea.

In 2009, an application was made in the East Bawean II PSC to relinquish the block. The application was based on the drilling of two exploration wells, the Adiyasa 1 and Kukura 1, which were abandoned without testing in 2009.

Husky filed a debt shelf prospectus with the Alberta Securities Commission on February 26, 2009 and the SEC on February 27, 2009. The shelf prospectus enables Husky to offer up to U.S. \$3.0 billion of debt securities in the U.S. until March 26, 2011.

On May 11, 2009, Husky issued U.S. \$750 million of 5.90% notes due June 15, 2014 and U.S. \$750 million of 7.25% notes due December 15, 2019 under the debt shelf prospectus filed in February 2009.

In August 2009, Husky completed scheduled maintenance of the *SeaRose FPSO*.

On October 29, 2009, Husky announced it had completed and tested two exploratory wells to evaluate the shale gas potential in the Montney and Doig formations in Northeast British Columbia, Canada.

On November 23, 2009, Husky announced the discovery of additional oil resources in the White Rose area. Analysis of results from the North Amethyst E-17 exploration well that was drilled in 2008 to the deeper Hibernia formation revealed 55 m of net oil-bearing reservoir.

On November 30, 2009, Husky announced an agreement to purchase Penn West Energy Trust heavy oil properties contained within Husky’s Lloydminster area of operations in Alberta and Saskatchewan.

On December 8, 2009, Husky announced that a significant new natural gas discovery at Liuhua 34-2-1 on Block 29/26 in the South China Sea. The discovery well tested natural gas with high liquids content at an equipment restricted rate of 55 mmcf/day, with indications that future well deliveries could exceed 140 mmcf/day.

On December 10, 2009, Husky announced that it entered into an agreement with Suncor Energy Inc. and Suncor Energy Products Inc. to purchase 98 retail outlets in the Ontario market. The first site was transferred to Husky in March 2010, with the remaining sites transferred between April and November 2010.

On December 21, 2009, Husky filed a debt shelf prospectus that enables Husky to offer up to \$1.0 billion of

medium term notes in Canada until January 21, 2012.

2010

On January 20, 2010, Husky announced that it has completed the front end engineering design (“FEED”) for Phase I of the Sunrise Energy Project, located 60 kilometres northeast of Fort McMurray. The Company also obtained the necessary approvals from the Government of Alberta, Environment Department and the Energy Resources and Conservation Board (“ERCB”) to proceed with the project. Husky later announced in November 2010 that it is moving forward with the construction of facilities for the phased development of the Sunrise oil sands lease in the Fort McMurray region of northern Alberta. This first phase will cost approximately \$2.5 billion and is expected to produce about 60,000 barrels per day gross beginning in 2014. Further, Sunrise will use steam-assisted gravity drainage (“SAGD”) technology which limits site disturbance. In November 2010, sanction for Phase I was announced.

On February 8, 2010, Husky announced its third significant gas discovery on Block 29/26 in the South China Sea. The Liuhua 29-1 exploration well tested natural gas at an equipment restricted rate of 57 mmcf/day, with indications that the future deliverability of the well could exceed 90 mmcf/day.

On March 9, 2010, Husky announced that it would issue \$700 million in medium term notes under the \$1 billion shelf prospectus which was filed by the Company in December 2009 with the securities regulatory authorities in each of the provinces of Canada. The medium term notes were issued in two tranches: \$300 million at 3.75% maturing on March 12, 2015 and \$400 million at 5.00% maturing on March 12, 2020. The transaction closed on March 12, 2010.

On May 21, 2010, Husky announced the appointment of Mr. Asim Ghosh as President and Chief Executive Officer of the Company, effective June 1, 2010. Mr. Ghosh was previously appointed to the Husky Board of Directors in May, 2009. The Company’s former President and Chief Executive Officer, Mr. John C.S. Lau, was appointed President and Chief Executive Officer, Asia Pacific, in May 2010 after stepping down as President and Chief Executive Officer of Husky Energy Inc. after 18 years in the position.

On May 31, 2010, Husky completed drilling and successful testing of the first appraisal well at the Liuhua 29-1 discovery Block 29/26 in the South China Sea with encouraging results. The well tested natural gas at an equipment restricted rate of 55 mmcf per day with indications that the well’s future deliverability could be 60 – 70 mmcf per day.

On May 31, 2010, Husky also announced that oil production had been achieved from the North Amethyst field, offshore Newfoundland & Labrador. North Amethyst is the first satellite field development at Husky’s White Rose project and was brought on production less than four years after discovery. It is also the first subsea tieback project in Canada.

On September 1, 2010, Husky announced that a purchase agreement had been signed to acquire natural gas properties in west central Alberta, which added 10.8 mboe/day of production, 32.6 mmboe of proven reserves and 10.8 mmboe of probable reserves, and extended the optimum utilization of its Ram River gas plant. The acquisition also added 160,000 acres of land to the Company’s holdings, including 122,000 undeveloped acres, doubling Husky’s current land holdings in the region. This purchase closed on November 30, 2010 and has an effective date of June 1, 2010. The reserve estimates are as at December 31, 2010.

On October 27, 2010, Husky announced that it had completed the successful drilling of a second appraisal well at the Liuhua 29-1 discovery Block 29/26 in the South China Sea. Core and log data has verified the presence of approximately 60 metres of gas pay. Additional appraisal drilling will be undertaken to further define the resource size and prepare the Plan of Development for the field once the well data has been integrated.

On October 28, 2010, Husky announced that it had received approval from the Government of Indonesia for a 20 year extension to the existing Madura Strait PSC, originally awarded in 1982. The Madura Strait PSC includes the Madura BD and MDA fields, as well as numerous other prospects and leads. Husky and its partner in the Madura Strait also agreed to sell a 10% equity stake each, in HOML to Samudra Energy Ltd., through its affiliate SMS Development Ltd. Following the completion of the sale, Husky and CNOOC respectively hold a 40% equity interest in HOML, with the 20% balance held by Samudra Energy Ltd. This sale closed on January 13, 2011.

Effective November 26, 2010, Husky filed a universal short form base shelf prospectus with applicable securities regulators in each of the provinces of Canada. The shelf prospectus enables Husky to offer up to \$3 billion of common shares, preferred shares, debt securities, subscription receipts, warrants and units in Canada until December 2012.

On November 29, 2010, Husky announced several strategic initiatives intended to accelerate near-term

production and reserve growth and to secure its medium and long-term growth opportunities and approved a \$4.86 billion capital program in 2011.

As part of this capital program to support near-term growth, Husky signed an \$860 million purchase and sale agreement with ExxonMobil Canada Ltd. to acquire oil and natural gas properties in Alberta and northeast British Columbia. This purchase included 16.3 mboe/day of natural gas production, 4.8 mboe/day of oil production, and 0.8 mboe/day of natural gas liquids. Husky's reserve estimate is 104 mmboe of proved reserves and nine mmboe of probable reserves based on an effective date of December 1, 2010. The purchase transaction closed on February 4, 2011.

Husky also announced that it has decided to retain its South East Asia assets citing the Company's view that it is in the best interest of the shareholders to continue to build this material business in the resource-rich region and leverage the close proximity to major energy markets in Hong Kong and Mainland China.

Husky has also made progress in advancing the Liwan 3-1 natural gas project in the South China Sea. The Government of China has approved the Original-Gas-in-Place (OGIP) report for the Liwan 3-1 field. Tendering for major equipment and facilities is underway and key contracts are expected to be awarded in the near term in order to achieve first gas production in late 2013.

To support its strategic growth initiatives, on December 7, 2010 Husky issued equity by way of a public overnight-marketed common share offering and a private placement to its principal shareholders. Pursuant to the public offering, the Company issued a total of 11.9 million common shares at a price of \$24.50 per share for total gross proceeds of approximately \$293 million. The public offering was conducted under the Company's previously filed shelf prospectus and supplement to the shelf prospectus. The Company also issued a total of 28.9 million common shares to the principal shareholders, L.F. Investments (Barbados) Limited and Hutchison Whampoa Luxembourg Holdings S.à.r.l. at a price of \$24.50 per share for a total gross proceeds of approximately \$707 million via private placement. The public offering and private placement closed on December 7, 2010.

On December 7, 2010, Husky announced that it has signed a Heads of Agreement with CNOOC, specifying the key principles of cooperation for funding and operation of the Liwan 3-1 deep water gas field development. Under the agreement for the Liwan 3-1 field development, Husky will operate the deep water portion of the project involving development drilling and completions, subsea equipment and controls, and subsea tie-backs to a shallow water platform. CNOOC will operate the shallow water portion of the project including a shallow water platform, approximately 270 km subsea pipeline to shore, and the onshore gas processing plant. Husky continues to hold 49% working interest for Liwan 3-1. First gas from the Liwan 3-1 development is anticipated in late 2013, ramping up through 2014.

Subsequent Events

Sale of Alberta Oil Sands Leases

On January 14, 2011, Husky completed a sales agreement to sell 23 square miles of mining leases in Alberta for a consideration of \$200 million.

Sale of Meridian Cogeneration Facility

Husky holds a 50% interest in the Meridian cogeneration facility, a 215 MW natural gas fired cogeneration facility at the site of the Lloydminster Upgrader. TransAlta Cogeneration, L.P. ("TACL P") is the Company's joint venture partner for the Meridian cogeneration facility. In February 2011, Husky and TACL P agreed to sell the cogeneration facility to an indirect wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited. Completion of the transaction is subject to consent from Saskatchewan Power Corporation as well as regulatory approval. The transaction is expected to be completed by April 2011.

Special Meeting of Shareholders

On February 28, 2011, Husky's shareholders approved amendments to Husky's common share terms, which provides the shareholders with the ability to receive dividends in common shares or in cash. See "Dividends".

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. During 2009, production of bitumen from oil sands increased by approximately 14% compared with 2008 but was almost entirely offset by decreased production of conventional crude oil including production from the Atlantic Region. As a result production of crude oil, including bitumen and synthetic crude oil, was less than 1% higher in 2009 than in 2008. From 2000 to 2009, production replacement in Canada averaged 88% ⁽¹⁾. Oil sands production currently accounts for 55% of Western Canada's total crude oil production. In its June 2010 forecast the Canadian Association of Petroleum Producers ("CAPP") project total Canadian production increasing by approximately 70% to 4.3 mmbbls/day by 2025. Production above 3.0 mmbbls/day comes from new oil sands projects that were not under construction at the forecast date. CAPP forecasts that the decline in conventional crude oil production, which has been declining for years, will slow with the application of new technologies in resource plays such as the Cardium and Bakken formations and the introduction of new incentives from the Alberta Government ⁽²⁾.

Natural gas production has declined with low natural gas prices. Lower prices resulted from increased supply from non-conventional sources and lower economic activity in the United States. Natural gas markets are expected to remain well supplied in the near-term. As a result, investment in natural gas exploration and development is expected to be focused on resource plays that utilize new technology and are in natural gas liquid prone areas ⁽³⁾. Conventional natural gas exploration continues to be focused on the traditionally less accessible areas in the overthrust belt along the eastern slope of the Rocky Mountains.

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 ⁽⁴⁾ by the Energy Information Administration ("EIA") in the United States include significant long-term potential for increased crude oil supply from producers outside of the Organization of the Petroleum Exporting Countries ("OPEC") over the next two and half decades, particularly conventional production from Brazil, Russia, and Kazakhstan. With higher prices supporting economic viability, Canada's oil sands production could reach 5.1 mmbbls/day in 2035. World oil prices declined in the second half of 2008 from their mid-July peak then trended up in 2009 and 2010. By mid February 2011, WTI spot prices had averaged U.S. \$88/bbl and Brent spot averaged U.S. \$98/bbl. The EIA's reference case forecast prices gradually rise as the world economy recovers and global demand grows more rapidly than crude oil supplies from non-OPEC producers.

The EIA short-term energy outlook ⁽⁵⁾ was published on February 8, 2011 and provides the following insights to the near-term energy environment. World energy demand is expected to continue to increase in 2011 and 2012, particularly in countries outside of the Organization for Economic Cooperation and Development ("OECD"). Among the OECD regions the only growth in energy consumption over the next two years is expected to be North America and that is expected to be offset by declines in OECD regions in Europe and Asia. OPEC's spare capacity is expected to remain above 4 mmbbls/day over the next two years while OPEC crude oil production is expected to increase by 5% by 2012 as global demand scales up.

Additionally, recent developments in Egypt, Libya and other North African and Middle East countries add uncertainty to oil and natural gas supply and demand. The Company closely monitors the developments in these areas.

Notes:

- (1) "Canadian Energy Overview 2009", June 2010, National Energy Board.
- (2) "Crude Oil Forecast, Markets and Pipelines", June 2010, Canadian Association of Petroleum Producers.
- (3) "Energy Outlook" Winter 2010, National Energy Board.
- (4) "Annual Energy Outlook 2011 Early Release Overview", December 2010, Energy Information Administration U.S. Department of Energy.
- (5) "Short-Term Energy Outlook," February 8, 2011, 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, Canada.

Husky's business is conducted predominantly in three major business segments - 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, the Atlantic Region, offshore China, and offshore Indonesia (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 Husky's retail outlet locations. The Downstream segment 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") which is followed by all Husky businesses, with particular emphasis on projects and operations, and manages operational integrity throughout 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 outlining the overall intent behind each element and 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 are applied and dedicated to the continued implementation and execution of HOIMS, and progress is monitored at all levels of the Company. Periodic reviews and audits are 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 on emerging issues.
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 Husky's 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.

Health, Safety and Environment

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 and regulatory requirements. The mandate of the Health, Safety and Environment Committee is available on the Husky website at 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, freshwater use, land disturbances and handling and disposal of waste 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 continues to monitor emerging environmental laws and regulations and proactively implements programs as required for compliance. According to the American Petroleum Institute, the oil and gas industry has invested over U.S. \$209 billion since 1990 toward improving the environmental performance of its products, facilities and operations. In 2009, the refining sector accounted for 63% and the upstream sector accounted for 24% of total oil and gas industry environmental expenditures in the United States. In 2009, just over half of the industry's environment expenditures were directed toward reducing emissions into the atmosphere.⁽¹⁾

Husky is required by the Government of Canada to report facilities that emit greater than 50,000 tonnes of CO₂E. The Lloydminster Upgrader, Lloydminster Refinery, Prince George Refinery, *SeaRose FPSO*, Ram River gas plant, Rainbow Lake gas plant, Tucker thermal oil plant, Bolney SAGD thermal plant, Pikes Peak CSS thermal plant and Lloydminster and Minnedosa ethanol plants are in this category. Husky has implemented 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 at the Ram River gas plant and Tucker thermal oil plant.

Husky is also a member of the Integrated CO₂ Network, which is working to reduce greenhouse gas emissions. The group continues to study technologies in respect of capture, transportation and storage of CO₂. A project is underway at Husky to capture, compress and liquefy CO₂ from the Lloydminster ethanol plant for injection into heavy oil fields for Enhanced Oil Recovery. 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. 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 freshwater, and minimize risk to water resources. At the Tucker project, 90% of water is recycled and very saline (i.e. non-potable) water is used for make-up water. Husky is implementing various technologies to reduce water usage. Husky's alkaline

surfactant polymer floods (“ASP”) which increases the efficiency of water and the use of CO₂ to mobilize heavy oil in the reservoir are being evaluated in pilots to reduce overall 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 have included gas conservation, vapour recovery, boiler/heater efficiency and tank and pipeline integrity. At December 31, 2010, Husky had 555 retail locations in its light refined products operations, which consisted of 403 owned or leased locations (Husky controlled) and 152 independent retailer locations. Husky is continually monitoring the owned and leased locations for environmental compliance and, where required, performing remediation which has averaged approximately \$6 million per year for the past five years including routine underground tank replacements. During 2010, five locations received new tanks at a cost of approximately \$4 million. In addition, 13 sites received line and dispenser replacements at a cost of approximately \$5 million. In 2010, Husky commenced a steel tank retirement program at decommissioned locations. During 2010, ten locations had such tanks removed. Husky expects to remove the steel tanks at a similar number of locations in 2011. Husky intends to spend approximately \$14 million in 2011 on environmental upgrades, remediation, tank replacements and steel tank retirements.

Husky has several “legacy” (inactive facility) sites which require remediation. These inactive sites range from refinery sites to retail locations. In 2010, Husky spent \$3 million on remediation and expects to spend approximately \$23 million over the next five years to complete remediation of these locations. Ongoing remediation and reclamation work is occurring at over 2,500 abandoned well sites and 100 abandoned facility sites. Husky plans to spend between \$12 and \$15 million annually on these programs. Husky spent approximately U.S. \$49 million in 2010 at the Lima Refinery in respect of vapour recovery, emission control and water treatment and an additional U.S. \$7 million for the operation of its waste water treatment facility.

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 or to address regulatory compliance requirements, such as reporting. 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.

Note:

(1) "Environmental Expenditures by the U.S. Oil and Natural Gas Industry," 2011, 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, reduce the value and quantities of Husky's heavier crude oil reserves and 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 pipeline and processing capacity.

Reserves data and future net revenue estimates

The reserves data in this Annual Information Form represent estimates only. In general, estimates of economically recoverable crude oil and gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as product prices, future operating and capital costs, historical production from the properties and the assumed effects of regulation by governmental agencies, including with respect to royalty payments, all of which may vary considerably from actual results. All such estimates are to some degree uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. For those reasons, estimates of the economically recoverable oil and gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially.

Additions to reserves are required to maintain asset value and production

In order to maintain the Company's future production of crude oil, natural gas and natural gas liquids and maintain the value of the reserves portfolio, additional reserves must be added through discoveries, extensions, improved recovery, performance related revisions and acquisitions. The production rate of oil and gas properties tends to decline as the reserves are depleted while the associated unit operating costs increase. In order to prevent this the Company must undertake successful exploration and development programs, increase the recovery factor from existing properties through applied technology and identify and execute strategic acquisitions of proved developed and undeveloped properties and unproved prospects. Maintaining an inventory of developable projects depends on, among other things, obtaining and renewing rights to explore, develop and produce oil and natural gas, drilling success, completing long-lead time capital intensive projects on budget and on schedule and the application of successful exploitation techniques on mature properties.

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 Husky directly or indirectly; and
- unexpected changes in the scope of a project.

Foreign exchange risk

Husky's results are affected by the exchange rate between the Canadian and U.S. dollar. The majority of expenditures are in Canadian dollars. The majority of 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. 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 December 31, 2010, 74% or \$3.1 billion of Husky's long-term debt was denominated in U.S. dollars. The percentage of long-term debt exposed to the U.S./Cdn exchange rate decreases to 67% when cross currency swaps are included. Additionally, U.S. \$987 million of the Company's U.S. dollar denominated debt has been designated as a hedge of a net investment, further reducing the long-term debt exposed to the U.S./Cdn exchange rate to 42%.

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, 2010, Husky's share of the balance of this receivable was U.S. \$1.3 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, 2010, Husky's share of the balance of this obligation was U.S. \$1.4 billion including accrued interest.

Operational risks and hazards

Husky's businesses are subject to inherent operational risks and hazards in respect of safety and the environment that requires continuous vigilance. The Company seeks to minimize these operational risks and hazards by carefully designing and building its facilities and conducting its operations in a safe and reliable manner. However, failure to manage these operational risks and hazards effectively could result in unexpected incidents, including releases of restricted substances, explosions, marine catastrophe or mechanical failures resulting in personal injuries, loss of life, environmental damage, property damage, loss of revenues, legal liability and/or disruption to operations. The Company, in accordance with industry practice, maintains insurance coverage against losses from certain of these risks and hazards. Nonetheless, insurance proceeds may not be sufficient to cover all losses. As a result of future changes in market conditions insurance coverage might not remain available for all types of operational risks and hazards at reasonable rates.

Environmental regulation

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 Husky's 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. Husky cannot be certain that the costs of complying with environmental legislation in the future will not be significant, however, Husky does not expect that they will 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 ("UNFCCC") came into force and the Congress of the Parties ("COP") meet annually to assess progress. The Kyoto Protocol, COP 3, was adopted in 1997. The Kyoto Protocol, among other things, set binding targets for the reduction of greenhouse gas emissions by industrialized nations. The first target required reduction of greenhouse gas emissions to 1990 levels by 2000. The second target required reducing greenhouse gas emissions by 6-8% of 1990 levels during the period 2008 – 2012. Canada ratified the Kyoto Protocol in December 2002. At COP 13 in 2007, the Bali Action Plan was adopted. The Bali Action Plan provided structure and timeline for post 2012 implementation. In December 2009, COP 15 was convened in Copenhagen with the goal of establishing an agreement on global climate change for 2012 and beyond. Instead, a group of countries including the United States, China, the European Union, India and Japan issued an accord outside of the UNFCCC process. The Copenhagen Accord is non-binding memorandum of understanding that sets a goal of limiting global warming to below 2 degrees Celsius above pre-industrial times and allows each nation to set its own target for 2020. Canada has committed to cut greenhouse gas emissions by 17% below 2005 levels by 2020; this aligns Canada with the stated target of the United States. The commitments will be reviewed by 2015 to assess progress toward the long-term goal to limit the global average temperature rise to 1.5 degrees Celsius. The effect of the Copenhagen Accord on Husky is currently uncertain but will continue to evolve. In December 2010, the Cancun Agreements were adopted at COP 16. This agreement provides a framework to advance the Copenhagen Accord. COP 17 will be held in November/December 2011 in Durban South Africa.

The Federal Government of Canada has announced certain regulations in respect of greenhouse gases and other pollutants. Although the impact of these regulations is uncertain, they may adversely affect the Company's operations and increase costs. These regulations may become more onerous over time as public and political pressures increase to implement initiatives that further reduce the emission of greenhouse gases.

The Deepwater Horizon oil spill in the Gulf of Mexico has led to numerous public and governmental expressions of concern about the safety and potential environmental impact of offshore oil operations. Stricter regulation of offshore oil and gas operations has already been implemented in the Gulf of Mexico. Further regulation, increased financial assurance requirements and increased caps on liability are likely to be applied to offshore oil and gas operations in the Gulf of Mexico. In the event that similar changes in environmental regulation occur with respect to Husky's operations in the Atlantic Region or in the South China Sea, such changes could increase the cost of complying with environmental regulation in connection with these operations and have a material adverse impact on Husky's operations.

The United States Environmental Protection Agency ("EPA") has promulgated the so-called 'Tailoring Rule', which, beginning January 2, 2011, phases in over time restrictions on greenhouse gas emissions from stationary sources, including power plants and petroleum refineries, beginning with the largest emitters, where such sources are required to obtain a new or modified permit based on non-greenhouse gas emissions. The EPA has also promulgated regulations requiring data collection, beginning January 1, 2010, and reporting, beginning March 31, 2011, of greenhouse gas emissions from stationary sources in the oil and gas industry emitting more than 25,000 tons per year of greenhouse gases in carbon dioxide equivalent. This reporting requirement applies to Husky's U.S. operations. However, these regulations are subject to challenge in Congress and the courts. Congress is expected to consider in the coming session proposals to block or delay the EPA's regulation of greenhouse gas emissions. Among several legal challenges, the State of Texas, the National Association of Manufacturers and other organizations are seeking a stay of the Tailoring Rule and the EPA's other regulations relating to greenhouse gas emissions. It is not possible to predict the ultimate outcome of these challenges. While these EPA regulations are currently in effect, they have not yet had a material impact on Husky and the pending and anticipated challenges could result in the staying of the regulations. Husky's operations may be impacted by future United States greenhouse gas legislation applying to the oil and gas industry or the consumption of petroleum products or by these or any further restrictive regulations issued by the EPA. Such legislation or regulation could require Husky's U.S. refining operations to significantly reduce emissions and/or purchase allowances, which may increase capital and operating expenditures.

Changes to government fiscal policy

All of Husky's oil and gas production is subject to royalties which are potentially impacted by changes in government fiscal policies. The Company maintains close contact with governments in the areas within which it operates.

General economic conditions

General economic conditions may have a material adverse effect on the Company's results of operations, liquidity and financial condition. The 2008/2009 economic and financial crisis contributed to heightened

uncertainty and a deterioration of near-term expectations in respect of the global economy. Although economic recovery is underway, there is no assurance that the crisis will not recur in the future. A decline in economic activity will reduce demand for petroleum products and adversely affect the price the Company receives for its commodities. The Company's cash flow could decline, assets could be impaired, future access to capital could be restricted and major development projects could be delayed.

Cost or availability of oil and gas field equipment

The cost or availability of oil and gas field equipment adversely affects the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including land and offshore drilling rigs, land and offshore geological and geophysical services, engineering and construction services and construction materials. These materials and services may not be available when required at a reasonable price.

International operations

International operations can have uncertain political, economic and other risks. The Company's operations that are in certain jurisdictions may be adversely affected by political, economic or social instability or events. These events may include, but are not limited to, acts of war, terrorism, abduction, expropriation, onerous fiscal policy, renegotiation or nullification of agreements, imposition of onerous regulation, financial constraints and unreasonable taxation. This could adversely affect the Company's interest in its foreign operations and future profitability.

Climatic conditions

Climatic conditions may have significant adverse effects on operations. Demand for energy can be affected to a large degree by weather and climate. In addition, the Company's exploration, production and construction operations can be affected by extreme weather, which may result in cessation of production, delay of exploration and development activities or delay of plant construction. All of these could potentially cause financial losses.

Recruitment, retention and succession

Failure to retain current employees and attract new skilled employees could materially affect the Company's ability to conduct its business. Demand for qualified employees with appropriate experience remains high. In addition, a significant portion of the workforce will become eligible for retirement in the near term.

Credit rating risk

The Company's debt instruments are rated by various credit rating agencies. These ratings affect the Company's ability to gain access to reasonably priced debt financing. If any of the Company's credit rating agencies downgrade the Company's debt instruments it may restrict the Company's ability to issue debt and may also increase the cost of borrowing, including existing credit facilities.

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 (between 20° API and 10° API and is liquid) and bitumen (solid or semi-solid with a viscosity greater than 10,000 centipoise).

Production

	2010					
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (mbbls/day)						
Light crude oil and NGL	80.4	23.0	46.7	69.7	10.7	—
Medium crude oil	25.4	25.4	—	25.4	—	—
Heavy crude oil	74.5	74.5	—	74.5	—	—
Bitumen	22.3	22.3	—	22.3	—	—
Total gross ⁽¹⁾	202.6	145.2	46.7	191.9	10.7	—
Total net ⁽¹⁾	181.1	137.0	35.8	172.8	8.3	—
Natural Gas (mmcf/day)						
Gross ⁽¹⁾	506.8	506.8	—	506.8	—	—
Net ⁽¹⁾	478.7	478.7	—	478.7	—	—
2009						
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (mbbls/day)						
Light crude oil and NGL	89.1	22.8	55.1	77.9	11.1	0.1
Medium crude oil	25.4	25.4	—	25.4	—	—
Heavy crude oil	78.6	78.6	—	78.6	—	—
Bitumen	23.1	23.1	—	23.1	—	—
Total gross ⁽¹⁾	216.2	149.9	55.1	205.0	11.1	0.1
Total net ⁽¹⁾	181.7	130.5	41.8	172.3	9.3	0.1
Natural Gas (mmcf/day)						
Gross ⁽¹⁾	541.7	541.7	—	541.7	—	—
Net ⁽¹⁾	457.3	457.3	—	457.3	—	—
2008						
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (mbbls/day)						
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	84.4	84.4	—	84.4	—	—
Bitumen	22.6	22.6	—	22.6	—	—
Total gross ⁽¹⁾	256.8	158.5	86.1	244.6	12.1	0.1
Total net ⁽¹⁾	206.8	134.9	62.7	197.6	9.1	0.1
Natural Gas (mmcf/day)						
Gross ⁽¹⁾	594.4	594.4	—	594.4	—	—
Net ⁽¹⁾	464.2	464.2	—	464.2	—	—

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

2010						
	Total	Western Canada	Atlantic Region	Canada	China	Libya
(\$ millions)						
Crude Oil						
Light crude oil and NGL	2,262	561	1,376	1,937	321	4
Medium crude oil	601	601	—	601	—	—
Heavy crude oil	1,601	1,601	—	1,601	—	—
Bitumen	470	470	—	470	—	—
Total gross	4,934	3,233	1,376	4,609	321	4
Total net	3,945	2,621	1,073	3,694	247	4
Natural Gas						
Gross	725	725	—	725	—	—
Net	685	685	—	685	—	—
Processing/Transportation	85	41	44	85	—	—
2009						
	Total	Western Canada	Atlantic Region	Canada	China	Libya
(\$ millions)						
Crude Oil						
Light crude oil and NGL	2,042	455	1,300	1,755	283	4
Medium crude oil	522	522	—	522	—	—
Heavy crude oil	1,507	1,507	—	1,507	—	—
Bitumen	437	437	—	437	—	—
Total gross	4,508	2,921	1,300	4,221	283	4
Total net	3,650	2,403	1,010	3,413	233	4
Natural Gas						
Gross	759	759	—	759	—	—
Net	727	727	—	727	—	—
Processing/Transportation	46	46	—	46	—	—
2008						
	Total	Western Canada	Atlantic Region	Canada	China	Libya
(\$ millions)						
Crude Oil						
Light crude oil and NGL	4,374	780	3,157	3,937	433	4
Medium crude oil	805	805	—	805	—	—
Heavy crude oil	2,223	2,223	—	2,223	—	—
Bitumen	582	582	—	582	—	—
Total gross	7,984	4,390	3,157	7,547	433	4
Total net	6,225	3,621	2,289	5,910	312	3
Natural Gas						
Gross	1,876	1,876	—	1,876	—	—
Net	1,563	1,563	—	1,563	—	—
Processing/Transportation	72	72	—	72	—	—

Sales Prices

2010						
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (\$/bbl)						
Light crude oil and NGL	76.90	66.46	80.63	75.94	83.17	79.14
Medium crude oil	64.92	64.92	—	64.92	—	—
Heavy crude oil	58.91	58.91	—	58.91	—	—
Bitumen	57.84	57.84	—	57.84	—	—
Total crude oil and NGL	66.70	61.00	80.63	65.78	83.17	79.14
Natural Gas (\$/mcf)	3.86	3.86	—	3.86	—	—

2009						
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (\$/bbl)						
Light crude oil and NGL	62.70	54.62	64.60	61.68	69.62	80.28
Medium crude oil	56.37	56.37	—	56.37	—	—
Heavy crude oil	52.54	52.54	—	52.54	—	—
Bitumen	51.90	51.90	—	51.90	—	—
Total crude oil and NGL	57.11	53.40	64.60	56.42	69.62	80.28
Natural Gas (\$/mcf)	3.83	3.83	—	3.83	—	—

2008						
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (\$/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	71.98	71.98	—	71.98	—	—
Bitumen	70.24	70.24	—	70.24	—	—
Total crude oil and NGL	84.96	75.67	100.12	84.28	98.56	118.97
Natural Gas (\$/mcf)	7.94	7.94	—	7.94	—	—

Capital Expenditures

2010								
Total	Western Canada	Atlantic Region	Canada	United States	China	Indonesia	Libya	
(\$ millions)								
Property acquisition	389	389	—	389	—	—	—	—
Exploration	687	210	96	306	—	369	12	—
Development	2,095	1,636	396	2,032	—	60	—	3
	3,171	2,235	492	2,727	—	429	12	3

2009								
Total	Western Canada	Atlantic Region	Canada	United States	China	Indonesia	Libya	
(\$ millions)								
Property acquisition	309	307	—	307	2	—	—	—
Exploration	841	228	95	323	23	458	37	—
Development	1,176	654	510	1,164	—	7	—	5
	2,326	1,189	605	1,794	25	465	37	5

2008								
Total	Western Canada	Atlantic Region	Canada	United States	China	Indonesia	Libya	
(\$ millions)								
Property acquisition	530	485	—	485	45	—	—	—
Exploration	836	436	160	596	15	214	11	—
Development	2,214	1,640	569	2,209	—	3	—	2
	3,580	2,561	729	3,290	60	217	11	2

Oil and Gas Netbacks ⁽¹⁾

	2010					
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (\$/bbl)						
Light crude oil						
Sales revenue	75.39	59.66	80.63	74.16	83.14	79.14
Royalties	16.77	10.11	19.25	16.43	19.21	—
Operating costs	11.00	15.03	10.33	11.78	5.74	29.01
Netback	47.62	34.52	51.05	45.95	58.19	50.13
Medium crude oil						
Sales revenue	62.97	62.97	—	62.97	—	—
Royalties	11.11	11.11	—	11.11	—	—
Operating costs	16.24	16.24	—	16.24	—	—
Netback	35.62	35.62	—	35.62	—	—
Heavy crude oil						
Sales revenue	58.09	58.09	—	58.09	—	—
Royalties	8.50	8.50	—	8.50	—	—
Operating costs	15.51	15.51	—	15.51	—	—
Netback	34.08	34.08	—	34.08	—	—
Bitumen						
Sales revenue	57.84	57.84	—	57.84	—	—
Royalties	8.53	8.53	—	8.53	—	—
Operating costs	20.37	20.37	—	20.37	—	—
Netback	28.94	28.94	—	28.94	—	—
Total crude oil						
Sales revenue	65.36	59.16	80.63	64.37	83.14	79.14
Royalties	12.03	9.21	19.25	11.64	19.21	—
Operating costs	14.40	16.32	10.33	14.86	5.74	29.01
Netback	38.93	33.63	51.05	37.87	58.19	50.13
Natural Gas (\$/mcf)						
Sales revenue	4.33	4.33	—	4.33	—	—
Royalties	0.45	0.45	—	0.45	—	—
Operating costs	1.85	1.85	—	1.85	—	—
Netback	2.03	2.03	—	2.03	—	—
Equivalent Unit (\$/boe)						
Sales revenue	53.77	47.07	80.63	52.75	83.14	79.14
Royalties	9.31	6.84	19.25	8.94	19.21	—
Operating costs	13.33	14.44	10.33	13.74	5.74	29.01
Netback	31.13	25.79	51.05	30.07	58.19	50.13

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.

Oil and Gas Netbacks ⁽¹⁾ (continued)

	2009					
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (\$/bbl)						
Light crude oil						
Sales revenue	62.38	52.28	64.60	61.28	69.62	80.28
Royalties	13.36	6.03	16.34	13.56	12.16	—
Operating costs	9.96	15.79	8.73	10.63	5.35	16.35
Netback	39.06	30.46	39.53	37.09	52.11	63.93
Medium crude oil						
Sales revenue	54.88	54.88	—	54.88	—	—
Royalties	8.67	8.67	—	8.67	—	—
Operating costs	15.40	15.40	—	15.40	—	—
Netback	30.81	30.81	—	30.81	—	—
Heavy crude oil						
Sales revenue	51.95	51.95	—	51.95	—	—
Royalties	7.24	7.24	—	7.24	—	—
Operating costs	13.26	13.26	—	13.26	—	—
Netback	31.45	31.45	—	31.45	—	—
Bitumen						
Sales revenue	51.90	51.90	—	51.90	—	—
Royalties	7.13	7.13	—	7.13	—	—
Operating costs	16.38	16.38	—	16.38	—	—
Netback	28.39	28.39	—	28.39	—	—
Total crude oil						
Sales revenue	56.49	52.50	64.60	55.76	69.62	80.28
Royalties	9.86	7.31	16.34	9.74	12.16	—
Operating costs	12.53	14.46	8.73	12.92	5.35	16.35
Netback	34.10	30.73	39.53	33.10	52.11	63.93
Natural Gas (\$/mcf)						
Sales revenue	4.08	4.08	—	4.08	—	—
Royalties	0.42	0.42	—	0.42	—	—
Operating costs	1.69	1.69	—	1.69	—	—
Netback	1.97	1.97	—	1.97	—	—
Equivalent Unit (\$/boe)						
Sales revenue	47.06	41.98	64.60	46.21	69.62	80.28
Royalties	7.70	5.51	16.34	7.53	12.16	—
Operating costs	11.82	12.86	8.73	12.09	5.35	16.35
Netback	27.54	23.61	39.53	26.59	52.11	63.93

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.

Oil and Gas Netbacks ⁽¹⁾ (continued)

	2008					
	Total	Western Canada	Atlantic Region	Canada	China	Libya
Crude Oil (\$/bbl)						
Light crude oil						
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	6.56	13.90	4.99	6.74	4.78	17.35
Netback	65.03	57.54	66.68	64.88	66.13	101.62
Medium crude oil						
Sales revenue	79.91	79.91	—	79.91	—	—
Royalties	13.91	13.91	—	13.91	—	—
Operating costs	15.60	15.60	—	15.60	—	—
Netback	50.40	50.40	—	50.40	—	—
Heavy crude oil						
Sales revenue	71.45	71.45	—	71.45	—	—
Royalties	10.55	10.55	—	10.55	—	—
Operating costs	13.68	13.68	—	13.68	—	—
Netback	47.22	47.22	—	47.22	—	—
Bitumen						
Sales revenue	70.24	70.24	—	70.24	—	—
Royalties	10.42	10.42	—	10.42	—	—
Operating costs	22.93	22.93	—	22.93	—	—
Netback	36.89	36.89	—	36.89	—	—
Total crude oil						
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	11.39	15.27	4.99	11.68	4.78	17.35
Netback	54.99	47.90	66.68	54.51	66.13	101.62
Natural Gas (\$/mcf)						
Sales revenue	8.21	8.21	—	8.21	—	—
Royalties	1.60	1.60	—	1.60	—	—
Operating costs	1.59	1.59	—	1.59	—	—
Netback	5.02	5.02	—	5.02	—	—
Equivalent Unit (\$/boe)						
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	10.93	13.16	4.99	11.14	4.78	17.35
Netback	48.12	41.10	66.68	47.49	66.13	101.62

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 and Non-Producing Wells

Productive Wells

	Oil Wells		Natural Gas Wells		Total	
	Gross ^{(1) (2)}	Net ⁽¹⁾	Gross ^{(1) (2)}	Net ⁽¹⁾	Gross ^{(1) (2)}	Net ⁽¹⁾
Canada						
Alberta	4,484	3,580	5,770	4,407	10,254	7,987
Saskatchewan	6,582	5,488	1,446	1,311	8,028	6,799
British Columbia	204	59	283	242	487	301
Newfoundland	25	9	—	—	25	9
	11,295	9,136	7,499	5,960	18,794	15,096
International						
China	32	13	—	—	32	13
Libya	3	1	—	—	3	1
	35	14	—	—	35	14
As at December 31, 2010	11,330	9,150	7,499	5,960	18,829	15,110

Canada						
Alberta	4,281	3,395	5,834	4,480	10,115	7,875
Saskatchewan	5,818	4,789	1,395	1,261	7,213	6,050
British Columbia	203	58	253	214	456	272
Newfoundland	23	8	—	—	23	8
	10,325	8,250	7,482	5,955	17,807	14,205
International						
China	31	12	—	—	31	12
Libya	2	1	—	—	2	1
	33	13	—	—	33	13
As at December 31, 2009	10,358	8,263	7,482	5,955	17,840	14,218

Canada						
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	23	8	—	—	23	8
	10,199	8,154	7,208	5,756	17,407	13,910
International						
China	29	12	—	—	29	12
Libya	2	1	—	—	2	1
	31	13	—	—	31	13
As at December 31, 2008	10,230	8,167	7,208	5,756	17,438	13,923

Non-Producing Wells

	2010					
	Oil Wells		Natural Gas Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Canada	3,836	3,351	1,425	1,198	5,261	4,549

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. Productive wells are those producing or capable of producing at December 31, 2010.

- (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, 2010, Husky had a royalty interest in 3,937 wells of which 1,272 were oil producers and 2,665 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 2010, there were 418 gross, 399 net oil wells and 843 gross, 704 net natural gas wells which were completed in two or more formations and from which production is not commingled.

Landholdings

	Developed Acreage	
	Gross	Net
	(thousands of acres)	
As at December 31, 2010		
Western Canada		
Alberta	4,172	2,729
Saskatchewan	891	704
British Columbia	172	133
Manitoba	2	—
	5,237	3,566
Eastern Canada		
	54	18
	5,291	3,584
China		
	17	7
Libya		
	7	2
	5,315	3,593
As at December 31, 2009		
Western Canada		
Alberta	4,100	2,692
Saskatchewan	856	672
British Columbia	168	128
	5,124	3,492
Eastern Canada		
	54	18
	5,178	3,510
China		
	17	7
Libya		
	7	2
	5,202	3,519
As at December 31, 2008		
Western Canada		
Alberta	3,159	2,658
Saskatchewan	779	657
British Columbia	167	114
	4,105	3,429
Eastern Canada		
	54	18
	4,159	3,447
China		
	17	7
Libya		
	7	2
	4,183	3,456

Landholdings (continued)

	Undeveloped Acreage	
	Gross	Net
	(thousands of acres)	
As at December 31, 2010		
Western Canada		
Alberta	4,801	3,407
Saskatchewan	1,712	1,522
British Columbia	1,020	747
Manitoba	4	1
	7,537	5,677
Northwest Territories and Arctic	943	303
Eastern Canada	4,777	2,989
	13,257	8,969
United States	1,100	484
China	990	990
Indonesia	1,940	1,595
Greenland	8,471	5,983
	25,758	18,021
As at December 31, 2009		
Western Canada		
Alberta	4,941	3,523
Saskatchewan	1,571	1,384
British Columbia	996	739
Manitoba	4	1
	7,512	5,647
Northwest Territories and Arctic	1,207	487
Eastern Canada	5,128	3,137
	13,847	9,271
United States	1,707	422
China	1,970	1,970
Indonesia	1,940	1,595
Greenland	8,471	5,983
	27,935	19,241
As at December 31, 2008		
Western Canada		
Alberta	4,287	3,743
Saskatchewan	1,563	1,473
British Columbia	962	662
Manitoba	1	1
	6,813	5,879
Northwest Territories and Arctic	1,042	629
Eastern Canada	4,364	3,192
	12,219	9,700
United States	1,707	422
China	6,337	6,337
Indonesia	2,992	2,646
Greenland	8,471	5,983
	31,726	25,088

The Company does not have any material work commitments associated with undeveloped land. See “Description of Major Properties and Facilities”. Over the next 12 months, approximately 687,000 acres or less than 8% of the Company’s net undeveloped landholdings in Canada will be subject to expiry.

Drilling Activity

	Year ended December 31					
	2010		2009		2008	
	Gross	Net	Gross	Net	Gross	Net
Western Canada Drilling						
Exploration						
Oil	60	51	18	9	80	70
Gas	37	31	37	22	102	79
Dry	8	8	7	6	27	23
	105	90	62	37	209	172
Development						
Oil	815	722	315	278	685	578
Gas	73	53	122	61	435	270
Dry	10	9	7	7	36	36
	898	784	444	346	1,156	884
	1,003	874	506	383	1,365	1,056
Atlantic Region						
Development						
Oil	2	1.4	—	—	1	0.7
International						
Exploration						
Dry	—	—	1	0.5	—	—
Development						
Oil	1	0.4	2	0.8	—	—
Gas	2	1.0	—	—	—	—
	3	1.4	2	0.8	—	—

Service/Stratigraphic Test Wells	2010	
	Gross	Net
Canada	75	63
China	9	9

Present Activities

Wells Drilling ⁽¹⁾	Exploratory		Development	
	Gross	Net	Gross	Net
Western Canada	8	7.5	33	27.6
East Coast – Canada	—	—	1	0.7
International	—	—	2	1.4

Service/Stratigraphic Test Wells ⁽¹⁾	2010	
	Gross	Net
Canada	19	15.0

Note:

(1) Denotes wells that were being drilled at February 24, 2011.

Oil and Gas Reserves Disclosures

Husky's oil and gas reserves are estimated in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (COGEH) and the reserve data disclosed conforms with the requirements of NI 51-101. Husky's oil and gas reserves are prepared by internal reserves evaluation staff using a formalized process for determining, approving and booking reserves. This process requires all reserves evaluations to be done on a consistent basis using established definitions and guidelines. Approval of individually significant reserve changes requires review by an internal panel of qualified reserves evaluators.

In prior years Husky applied for and was granted an exemption from certain of the provisions of NI 51-101, which permitted the Company to present oil and gas reserves disclosures in accordance with the rules of the United States SEC guidelines and the United States Financial Accounting Standards Board (the "U.S. Rules"). This exemption is no longer available for the Company's reserves reporting in Canada, although the Company has received an exemption from the Canadian Securities Administrators which allows the Company to also disclose its reserves under the U.S. Rules as supplementary disclosure to the reserves and oil and gas activities disclosure required by NI 51-101. The Company has disclosed reserves information in accordance with the U.S. Rules in Exhibit 99.1 in the Company's Form 40-F, which is available at www.sec.gov or on the Company's website at www.huskyenergy.com.

The material differences between reserve quantities disclosed under NI 51-101 and those disclosed under the U.S. Rules is that NI 51-101 requires the determination of reserve quantities to be based on forecast pricing assumptions whereas the U.S. Rules require the determination of reserve quantities to be based on constant price assumptions calculated using a 12 month average price for the year (sum of the benchmark price on the first calendar day of each month in the year divided by 12).

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 NGL reserve estimates. 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 assumptions are, in aggregate, reasonable, and have been prepared in accordance with generally accepted oil and gas engineering and evaluation practices as set out in the COGEH.

Note that the numbers in each column of the tables throughout this section may not add due to rounding.

**Summary of Oil and Natural Gas Reserves
As at December 31, 2010
Forecast Prices and Costs**

Canada

	Light Crude Oil (mmbbls)		Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	129.1	110.2	75.0	66.4	69.5	61.3	51.5	47.5
Developed Non-producing	2.0	1.8	3.6	3.2	12.3	11.8	—	—
Undeveloped	34.3	30.7	9.2	7.9	28.4	25.5	195.4	171.2
Total Proved	165.3	142.8	87.7	77.5	110.2	98.6	246.8	218.7
Probable:	102.4	83.2	20.2	17.7	32.4	29.0	1,039.8	777.6
Total Proved Plus Probable	267.8	226.0	107.9	95.2	142.7	127.6	1,286.6	996.3

	Coal Bed Methane (bcf)		Natural Gas (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	30.1	27.2	1,487.3	1,266.6	41.3	32.5	619.3	533.6
Developed Non-producing	1.5	1.3	202.2	174.2	2.2	1.6	54.0	47.8
Undeveloped	10.2	9.7	454.7	418.1	12.4	9.6	357.1	316.2
Total Proved	41.8	38.1	2,144.2	1,858.9	55.9	43.7	1,030.4	897.5
Probable:	1.8	1.5	577.6	495.2	12.4	9.5	1,303.8	999.7
Total Proved Plus Probable	43.5	39.6	2,721.8	2,354.1	68.3	53.2	2,334.1	1,897.2

China

	Light Crude Oil (mmbbls)		Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	6.9	5.1	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	6.9	5.1	—	—	—	—	—	—
Probable:	3.2	2.4	—	—	—	—	—	—
Total Proved Plus Probable	10.2	7.5	—	—	—	—	—	—

	Coal Bed Methane (bcf)		Natural Gas (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	—	—	—	—	0.2	0.1	7.1	5.2
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	—	—	—	—	0.2	0.1	7.1	5.2
Probable:	—	—	—	—	0.1	0.1	3.3	2.4
Total Proved Plus Probable	—	—	—	—	0.2	0.2	10.4	7.6

Summary of Oil and Natural Gas Reserves
As at December 31, 2010
Forecast Prices and Costs (continued)

Indonesia

	Light Crude Oil (mmbbls)		Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	—	—	—	—	—	—	—	—
Probable:	—	—	—	—	—	—	—	—
Total Proved Plus Probable	—	—	—	—	—	—	—	—

	Coal Bed Methane (bcf)		Natural Gas (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	209.0	143.1	9.0	4.9	43.8	28.8
Total Proved	—	—	209.0	143.1	9.0	4.9	43.8	28.8
Probable:	—	—	49.3	29.1	2.1	0.8	10.3	5.7
Total Proved Plus Probable	—	—	258.3	172.1	11.1	5.7	54.1	34.4

Libya

	Light Crude Oil (mmbbls)		Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	0.2	0.2	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	0.2	0.2	—	—	—	—	—	—
Probable:	—	—	—	—	—	—	—	—
Total Proved Plus Probable	0.2	0.2	—	—	—	—	—	—

	Coal Bed Methane (bcf)		Natural Gas (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	—	—	—	—	—	—	0.2	0.2
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	—	—	—	—	—	—	0.2	0.2
Probable:	—	—	—	—	—	—	—	—
Total Proved Plus Probable	—	—	—	—	—	—	0.2	0.2

**Summary of Oil and Natural Gas Reserves
As at December 31, 2010
Forecast Prices and Costs (continued)**

Total

	Light Crude Oil (mmbbls)		Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	136.2	115.5	75.0	66.4	69.5	61.3	51.5	47.5
Developed Non-producing	2.0	1.8	3.6	3.2	12.3	11.8	—	—
Undeveloped	34.3	30.7	9.2	7.9	28.4	25.5	195.4	171.2
Total Proved	172.5	148.1	87.7	77.5	110.2	98.6	246.8	218.7
Probable:	105.7	85.6	20.2	17.7	32.4	29.0	1,039.8	777.6
Total Proved Plus Probable	278.2	233.7	107.9	95.2	142.7	127.6	1,286.6	996.3

	Coal Bed Methane (bcf)		Natural Gas (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved:								
Developed Producing	30.1	27.2	1,487.3	1,266.6	41.5	32.6	626.5	539.0
Developed Non-producing	1.5	1.3	202.2	174.2	2.2	1.6	54.0	47.8
Undeveloped	10.2	9.7	663.7	561.1	21.4	14.5	400.9	345.0
Total Proved	41.8	38.1	2,353.2	2,002.0	65.1	48.7	1,081.5	931.7
Probable:	1.8	1.5	626.9	524.2	14.5	10.4	1,317.4	1,007.8
Total Proved Plus Probable	43.5	39.6	2,980.1	2,526.2	79.6	59.1	2,398.8	1,939.5

**Summary of Net Present Values of Future Net Revenue
As at December 31, 2010
Forecast Prices and Costs**

Canada

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	13,061	10,738	9,233	8,163
Developed Non-producing	1,239	963	789	667
Undeveloped	4,884	2,973	1,841	1,120
Total Proved	19,184	14,675	11,863	9,950
Probable:	17,683	8,682	4,983	3,192
Total Proved Plus Probable	36,868	23,356	16,846	13,142

China

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	440	415	392	372
Developed Non-producing	—	—	—	—
Undeveloped	—	—	—	—
Total Proved	440	415	392	372
Probable:	192	164	142	124
Total Proved Plus Probable	632	579	534	495

Indonesia

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	—	—	—	—
Developed Non-producing	—	—	—	—
Undeveloped	277	171	103	58
Total Proved	277	171	103	58
Probable:	56	32	19	13
Total Proved Plus Probable	334	203	122	70

**Summary of Net Present Values of Future Net Revenue
As at December 31, 2010
Forecast Prices and Costs (continued)**

Libya

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	9	9	8	8
Developed Non-producing	—	—	—	—
Undeveloped	—	—	—	—
Total Proved	9	9	8	8
Probable:	3	3	2	2
Total Proved Plus Probable	12	11	10	10

Total

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	13,511	11,161	9,633	8,542
Developed Non-producing	1,239	963	789	667
Undeveloped	5,161	3,145	1,944	1,177
Total Proved	19,911	15,269	12,366	10,387
Probable:	17,935	8,880	5,147	3,331
Total Proved Plus Probable	37,846	24,150	17,513	13,717

**Summary of Net Present Values of Future Net Revenue
As at December 31, 2010
Forecast Prices and Costs**

Canada

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	9,653	7,922	6,801	6,005
Developed Non-producing	917	710	578	487
Undeveloped	3,521	2,019	1,129	563
Total Proved	14,091	10,650	8,508	7,055
Probable:	12,975	6,217	3,460	2,138
Total Proved Plus Probable	27,066	16,868	11,968	9,193

China

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	296	279	264	250
Developed Non-producing	—	—	—	—
Undeveloped	—	—	—	—
Total Proved	296	279	264	250
Probable:	129	110	95	83
Total Proved Plus Probable	424	389	358	332

Indonesia

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	—	—	—	—
Developed Non-producing	—	—	—	—
Undeveloped	190	114	64	30
Total Proved	190	114	64	30
Probable:	34	19	12	8
Total Proved Plus Probable	224	133	76	38

**Summary of Net Present Values of Future Net Revenue
As at December 31, 2010
Forecast Prices and Costs (continued)**

Libya

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	9	9	8	8
Developed Non-producing	—	—	—	—
Undeveloped	—	—	—	—
Total Proved	9	9	8	8
Probable:	3	3	2	2
Total Proved Plus Probable	12	11	10	10

Total

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
Proved:				
Developed Producing	9,958	8,209	7,072	6,262
Developed Non-producing	917	710	578	487
Undeveloped	3,710	2,133	1,193	593
Total Proved	14,586	11,051	8,843	7,342
Probable:	13,141	6,349	3,569	2,231
Total Proved Plus Probable	27,726	17,401	12,413	9,573

Total Future Net Revenue for Total Proved Reserves - Undiscounted
As at December 31, 2010
Forecast Prices and Costs

(\$ millions)	Revenue	Royalties	Operating Costs	Development Cost	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Canada								
Proved:								
Developed Producing	40,040	6,773	12,422	1,251	2,335	17,260	4,480	12,780
Developed Non-producing	2,928	329	701	139	—	1,759	451	1,309
Undeveloped	24,123	3,433	6,570	5,599	—	8,522	2,153	6,368
Total Proved	67,092	10,536	19,692	6,989	2,335	27,541	7,084	20,457
Probable	107,028	26,614	24,410	11,230	—	44,774	11,366	33,409
Total Proved Plus Probable	174,120	37,150	44,101	18,218	2,335	72,315	18,450	53,865
China								
Proved:								
Developed Producing	584	—	101	—	17	466	153	313
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	584	—	101	—	17	466	153	313
Probable	283	—	48	6	—	229	75	153
Total Proved Plus Probable	867	—	149	6	17	695	228	466
Indonesia								
Proved:								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	1,132	—	517	167	—	448	138	310
Total Proved	1,132	—	517	167	—	448	138	310
Probable	216	—	107	—	—	109	44	65
Total Proved Plus Probable	1,349	—	624	167	—	557	182	375
Libya								
Proved:								
Developed Producing	17	—	6	1	—	10	—	10
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	17	—	6	1	—	10	—	10
Probable	3	—	—	—	—	3	—	3
Total Proved Plus Probable	20	—	6	1	—	13	—	13
Total								
Proved:								
Developed Producing	40,642	6,773	12,528	1,252	2,353	17,736	4,633	13,103
Developed Non-producing	2,928	329	701	139	—	1,759	451	1,309
Undeveloped	25,256	3,433	7,086	5,766	—	8,970	2,291	6,678
Total Proved	68,826	10,536	20,316	7,157	2,353	28,465	7,375	21,090
Probable	107,530	26,614	24,565	11,236	—	45,115	11,486	33,629
Total Proved Plus Probable	176,356	37,150	44,880	18,393	2,353	73,580	18,860	54,720
Total								

Future Net Revenue by Production Group
As at December 31, 2010
Forecast Prices and Costs

	Future Net Revenue Before Income Taxes (discounted at 10%/year)									
	Canada		China		Indonesia		Libya		Total	
	(\$000)	(\$/boe)	(\$000)	(\$/boe)	(\$000)	(\$/boe)	(\$000)	(\$/boe)	(\$000)	(\$/boe)
Proved										
Developed producing										
Light crude oil and NGL	4,002	32	415	80	—	—	9	46	4,425	34
Medium crude oil	1,458	22	—	—	—	—	—	—	1,458	22
Heavy crude oil	1,585	26	—	—	—	—	—	—	1,585	26
Natural gas	2,517	11	—	—	—	—	—	—	2,517	11
Coal bed methane	48	11	—	—	—	—	—	—	48	11
Bitumen	1,128	24	—	—	—	—	—	—	1,128	24
Developed non-producing										
Light crude oil and NGL	44	24	—	—	—	—	—	—	44	24
Medium crude oil	102	32	—	—	—	—	—	—	102	32
Heavy crude oil	422	36	—	—	—	—	—	—	422	36
Natural gas	394	13	—	—	—	—	—	—	394	13
Coal bed methane	2	8	—	—	—	—	—	—	2	8
Bitumen	—	—	—	—	—	—	—	—	—	—
Undeveloped										
Light crude oil and NGL	721	23	—	—	—	—	—	—	721	23
Medium crude oil	145	18	—	—	—	—	—	—	145	18
Heavy crude oil	612	24	—	—	—	—	—	—	612	24
Natural gas	144	2	—	—	171	6	—	—	316	3
Coal bed methane	5	3	—	—	—	—	—	—	5	3
Bitumen	1,346	8	—	—	—	—	—	—	1,346	8
Total Proved										
Light crude oil and NGL	4,766	30	415	80	—	—	9	46	5,190	32
Medium crude oil	1,706	22	—	—	—	—	—	—	1,706	22
Heavy crude oil	2,618	27	—	—	—	—	—	—	2,618	27
Natural gas	3,056	9	—	—	171	6	—	—	3,227	9
Coal bed methane	55	9	—	—	—	—	—	—	55	9
Bitumen	2,474	11	—	—	—	—	—	—	2,474	11
Probable										
Light crude oil and NGL	2,318	26	164	68	—	—	3	75	2,485	27
Medium crude oil	336	19	—	—	—	—	—	—	336	19
Heavy crude oil	711	25	—	—	—	—	—	—	711	25
Natural gas	645	7	—	—	32	6	—	—	676	7
Coal bed methane	2	9	—	—	—	—	—	—	2	9
Bitumen	4,670	6	—	—	—	—	—	—	4,670	6
Total Proved Plus Probable										
Light crude oil and NGL	7,084	29	579	76	—	—	11	50	7,674	30
Medium crude oil	2,042	21	—	—	—	—	—	—	2,042	21
Heavy crude oil	3,329	26	—	—	—	—	—	—	3,329	26
Natural gas	3,700	9	—	—	203	6	—	—	3,903	9
Coal bed methane	57	9	—	—	—	—	—	—	57	9
Bitumen	7,145	7	—	—	—	—	—	—	7,145	7

Pricing Assumptions

The pricing assumptions disclosed in the table below were derived using the industry averages prescribed by McDaniel & Associates Consultants Ltd, Sproule Associates Limited, and GLJ Petroleum Consultants Ltd.

	Crude Oil		Natural Gas		Inflation rates ⁽¹⁾	Exchange rates ⁽²⁾
	WTI (USD \$/bbl)	Brent (USD \$/bbl)	NYMEX (USD \$/mmbtu)	NIT (Cdn \$/GJ)		
Historical:						
2006	66.22	65.14	7.23	6.62		0.882
2007	72.31	72.52	6.86	6.26		0.931
2008	99.65	96.99	9.04	7.70		0.937
2009	61.80	61.54	3.99	3.92		0.880
2010	79.46	79.42	4.39	3.91		0.971
Forecast:						
2011	87.13	86.88	4.50	3.93	1.018	0.962
2012	88.61	87.77	5.15	4.51	1.018	0.962
2013	89.76	88.49	5.61	4.96	1.018	0.962
2014	91.43	90.13	6.45	5.76	1.018	0.962
2015	93.90	92.59	6.82	6.08	1.018	0.962

Notes:

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rate used to generate the benchmark reference prices.

Reconciliation of Gross Proved Reserves

	Light Crude Oil (mmbbls)	Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Natural Gas (bcf)	Bitumen (mmbbls)	Total (mmbbls)
Canada – Western Canada						
End of 2009	144.9	84.2	120.8	2,112.7	200.4	902.4
Revisions – Technical	(11.8)	4.0	1.8	(14.0)	(13.3)	(21.5)
Revisions – Economic	(0.1)	—	—	(74.4)	—	(12.5)
Purchases	1.3	0.3	—	205.6	—	36.0
Sales	(0.1)	—	—	(1.5)	—	(0.3)
Discoveries	0.5	0.1	—	32.2	0.6	6.6
Extensions	7.1	4.4	14.3	109.6	67.2	111.3
Improved recovery	0.2	4.0	0.5	0.7	—	4.8
Production	(8.4)	(9.3)	(27.2)	(185.0)	(8.1)	(83.8)
End of 2010	133.7	87.7	110.2	2,186.0	246.8	942.9
Canada – Atlantic Region						
End of 2009	92.9	—	—	—	—	92.9
Revisions – Technical	8.3	—	—	—	—	8.3
Revisions – Economic	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	3.4	—	—	—	—	3.4
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	(17.1)	—	—	—	—	(17.1)
End of 2010	87.5	—	—	—	—	87.5
China						
End of 2009	8.9	—	—	—	—	8.9
Revisions – Technical	1.7	—	—	—	—	1.7
Revisions – Economic	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	0.4	—	—	—	—	0.4
Improved recovery	—	—	—	—	—	—
Production	(3.9)	—	—	—	—	(3.9)
End of 2010	7.1	—	—	—	—	7.1
Indonesia						
End of 2009	—	—	—	—	—	—
Revisions – Technical	—	—	—	—	—	—
Revisions – Economic	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	9.0	—	—	209.0	—	43.8
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2010	9.0	—	—	209.0	—	43.8
Libya						
End of 2009	0.2	—	—	—	—	0.2
Revisions – Technical	—	—	—	—	—	—
Revisions – Economic	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	(0.1)	—	—	—	—	(0.1)
End of 2010	0.2	—	—	—	—	0.2

	Total		
	Crude Oil & NGL (mmbbls)	Natural Gas (bcf)	Total Company (mmboe)
End of 2009	652.2	2,112.7	1,004.4
Revisions – Technical	(9.2)	(14.0)	(11.5)
Revisions – Economic	(0.1)	(74.4)	(12.5)
Purchases	1.7	205.6	36.0
Sales	(0.1)	(1.5)	(0.3)
Discoveries	13.6	241.1	53.8
Extensions	93.4	109.6	111.7
Improved recovery	4.6	0.7	4.8
Production	(74.0)	(185.0)	(104.8)
End of 2010	682.3	2,395.0	1,081.5

Major additions to proved reserves in 2010 include:

- the extension through additional drilling and seismic interpretation of the Sunrise oil sands project that resulted in booking 56 mmbbls of bitumen to proved undeveloped reserves;
- the booking of 44 mmboe of natural gas and natural gas liquids to proved undeveloped reserves at Madura following the extension of the PSC;
- the acquisition in the Ram River area in the west central Alberta, which resulted in booking of proved natural gas reserves of 197 bcf; and
- the extension of proved reserves at Ansell in the Alberta Deep Basin area resulting in the booking of 17 mmboe of natural gas and natural gas liquids.

Reconciliation of Gross Probable Reserves

	Light Crude Oil (mmbbls)	Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Natural Gas (bcf)	Bitumen (mmbbls)	Total (mmbbls)
Canada – Western Canada						
End of 2009	45.4	16.0	31.3	524.4	1,093.9	1,274.0
Revisions – Technical	(4.8)	0.7	(5.2)	(19.1)	0.1	(12.5)
Revisions – Economic	—	—	—	(17.7)	—	(3.0)
Revisions – Transfer to Proved	(0.9)	(0.8)	(2.4)	(12.8)	(57.0)	(63.3)
Purchases	0.2	0.1	—	63.1	—	10.8
Sales	(0.1)	(0.1)	—	—	—	(0.1)
Discoveries	0.3	0.3	—	18.8	0.1	3.9
Extensions	0.9	—	8.8	21.0	2.6	15.8
Improved recovery	2.5	4.0	—	1.7	—	6.8
Production	—	—	—	—	—	—
End of 2010	43.4	20.2	32.4	579.4	1,039.8	1,232.4
Canada – Atlantic Region						
End of 2009	74.2	—	—	—	—	74.2
Revisions – Technical	(6.3)	—	—	—	—	(6.3)
Revisions – Economic	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	3.5	—	—	—	—	3.5
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2010	71.4	—	—	—	—	71.4
China						
End of 2009	3.9	—	—	—	—	3.9
Revisions – Technical	(0.6)	—	—	—	—	(0.6)
Revisions – Economic	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2010	3.3	—	—	—	—	3.3
Indonesia						
End of 2009	11.1	—	—	258.4	—	54.1
Revisions – Technical	—	—	—	(0.2)	—	—
Revisions – Economic	—	—	—	—	—	—
Revisions – Transfer to Proved	(9.0)	—	—	(209.0)	—	(43.8)
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extension	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2010	2.1	—	—	49.3	—	10.3
Libya						
End of 2009	0.1	—	—	—	—	0.1
Revisions – Technical	0.1	—	—	—	—	0.1
Revisions – Economic	—	—	—	—	—	—
Revisions – Transfer to Proved	(0.2)	—	—	—	—	(0.2)
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2010	—	—	—	—	—	—

	Total		
	Crude Oil & NGL (mmbbls)	Natural Gas (bcf)	Total Company (mmboe)
End of 2009	1,275.9	782.8	1,406.4
Revisions – Technical	(16.1)	(19.3)	(19.3)
Revisions – Economic	(0.1)	(17.7)	(3.0)
Revisions – Transfer to Proved	(70.3)	(221.8)	(107.3)
Purchases	0.3	63.1	10.8
Sales	(0.1)	—	(0.1)
Discoveries	4.2	18.8	7.4
Extensions	12.3	21.0	15.8
Improved recovery	6.5	1.7	6.8
Production	—	—	—
End of 2010	1,212.6	628.7	1,317.4

Major changes to probable reserves in 2010 include:

- the transfer of reserves to proved for Sunrise of 56 mmbbls and Madura of 44 mmboe; and
- the acquisition in the Ram River area in west central Alberta, which resulted in booking of probable reserves of 11 mmboe.

Reconciliation of Gross Proved Plus Probable Reserves

	Light Crude Oil (mmbbls)	Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Natural Gas (bcf)	Bitumen (mmbbls)	Total (mmboe)
Canada – Western Canada						
End of 2009	190.3	100.1	152.0	2,637.2	1,294.3	2,176.4
Revisions – Technical	(16.6)	4.7	(3.4)	(33.1)	(13.2)	(34.0)
Revisions – Economic	(0.2)	—	—	(92.1)	—	(15.5)
Revisions – Transfer to Proved	(0.9)	(0.8)	(2.4)	(12.8)	(57.0)	(63.3)
Purchases	1.5	0.4	—	268.7	—	46.8
Sales	(0.1)	(0.1)	—	(1.5)	—	(0.5)
Discoveries	0.8	0.4	—	51.0	0.7	10.5
Extensions	8.0	4.4	23.1	130.6	69.9	127.1
Improved recovery	2.7	8.0	0.5	2.4	—	11.6
Production	(8.4)	(9.3)	(27.2)	(185.0)	(8.1)	(83.8)
End of 2010	177.2	107.9	142.6	2,765.4	1,286.6	2,175.2
Canada – Atlantic Region						
End of 2009	167.1	—	—	—	—	167.1
Revisions – Technical	2.0	—	—	—	—	2.0
Revisions – Economic	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	6.9	—	—	—	—	6.9
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	(17.1)	—	—	—	—	(17.1)
End of 2010	158.9	—	—	—	—	158.9
China						
End of 2009	12.8	—	—	—	—	12.8
Revisions – Technical	1.1	—	—	—	—	1.1
Revisions – Economic	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	0.4	—	—	—	—	0.4
Improved recovery	—	—	—	—	—	—
Production	(3.9)	—	—	—	—	(3.9)
End of 2010	10.4	—	—	—	—	10.4
Indonesia						
End of 2009	11.1	—	—	258.4	—	54.1
Revisions – Technical	—	—	—	(0.2)	—	—
Revisions – Economic	—	—	—	—	—	—
Revisions – Transfer to Proved	(9.0)	—	—	(209.0)	—	(43.8)
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	9.0	—	—	209.0	—	43.8
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2010	11.1	—	—	258.3	—	54.1
Libya						
End of 2009	0.3	—	—	—	—	0.3
Revisions – Technical	0.1	—	—	—	—	0.1
Revisions – Economic	—	—	—	—	—	—
Revisions – Transfer to Proved	(0.2)	—	—	—	—	(0.2)
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	—	—	—	—	—	—
Improved recovery	—	—	—	—	—	—
Production	(0.1)	—	—	—	—	(0.1)
End of 2010	0.2	—	—	—	—	0.2

	Total		
	Crude Oil & NGL (mmbbls)	Natural Gas (bcf)	Total Company (mmboe)
End of 2009	1,928.1	2,895.6	2,410.7
Revisions – Technical	(25.3)	(33.3)	(30.8)
Revisions – Economic	(0.1)	(92.1)	(15.5)
Revisions – Transfer to Proved	(70.3)	(221.8)	(107.3)
Purchases	2.0	268.7	46.8
Sales	(0.2)	(1.5)	(0.5)
Discoveries	17.8	260.0	61.2
Extensions	105.7	130.6	127.5
Improved recovery	11.2	2.4	11.6
Production	(74.0)	(185.0)	(104.8)
End of 2010	1,894.9	3,023.6	2,398.8

Undeveloped Reserves

Undeveloped reserves are attributed internally in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped oil and gas reserves are proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Probable undeveloped oil and gas reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. There are numerous uncertainties inherent in estimating quantities of crude oil and natural gas reserves. Classifications of reserves as proved or probable are only attempts to define the degree of uncertainty associated with the estimates. In addition, whereas proved reserves are those reserves that can be estimated with reasonable certainty to be economically producible, probable reserves are those reserves as likely as not to be recovered. Therefore, probable reserves estimates, by definition, have a higher degree of uncertainty than proved reserves.

Husky funds capital programs by cash generated from operating activities, cash on hand, equity issuance, and long-term and short-term debt. Decisions to develop proved undeveloped and probable reserves are based on various factors including economic conditions, technical performance and size of development program. Approximately 30% of Husky's proved undeveloped reserves are assigned to the Sunrise Energy Project. Phase I of this project was sanctioned in November 2010 and agreements have been reached on movement of bitumen to market as well as awarding major engineering and construction contracts. First production is expected in 2014. As at December 31, 2010, there are no material proved undeveloped reserves that have remained undeveloped for greater than five years.

Proved Undeveloped Reserves

First attributed	Light Crude Oil & NGL (mmbbls)	Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Natural Gas (bcf)	Total Oil & NGL (mmbbls)
Year						
Prior	44.0	8.5	35.9	68.7	411.4	157.1
2008	0.7	0.1	2.1	—	79.2	2.9
2009	3.8	—	1.6	63.7	3.9	69.1
2010	12.8	0.1	—	0.6	212.5	13.5

Probable Undeveloped Reserves

First attributed	Light Crude Oil & NGL (mmbbls)	Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Natural Gas (bcf)	Total Oil & NGL (mmbbls)
Year						
Prior	129.5	7.7	31.2	1,791.7	206.3	1,960.1
2008	0.8	—	0.1	—	23.0	0.9
2009	0.1	—	2.7	—	8.3	2.8
2010	3.9	0.3	—	0.1	25.3	4.3

Future Development Costs – Undiscounted

Forecast Prices and Costs

The Company expects to fund its future development costs by cash generated from operating activities, cash on hand, and long-term and short-term debt. The Company also has access to available amounts through its credit facilities on which it can draw funds and the ability to issue equity through its shelf prospectuses. The cost associated with this funding would not affect reserves and would not be material in comparison with future net revenues.

(Smillion)	Canada		China		Indonesia	
Year	Proved Reserves	Proved Plus Probable Reserves	Proved Reserves	Proved Plus Probable Reserves	Proved Reserves	Proved Plus Probable Reserves
2011	1,705	1,864	—	6	32	32
2012	1,475	1,932	—	—	80	80
2013	1,043	1,427	—	—	39	39
2014	545	1,398	—	—	6	6
2015	498	1,283	—	—	10	10
Remaining	4,058	12,649	17	17	—	—
Total	9,324	20,554	17	24	167	167

(Smillion)	Libya		Total	
Year	Proved Reserves	Proved Plus Probable Reserves	Proved Reserves	Proved Plus Probable Reserves
2011	1	1	1,738	1,904
2012	—	—	1,555	2,012
2013	—	—	1,082	1,466
2014	—	—	551	1,405
2015	—	—	508	1,293
Remaining	—	—	4,075	12,667
Total	1	1	9,510	20,746

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

The Company has a significant amount of probable reserves assigned to Western Canada and the Atlantic Region. At current prices, these properties are economical. However, should crude oil and natural gas prices fall materially, these activities may not be economical and the Company could defer their implementation. In addition, reserves can be affected significantly by fluctuations in capital expenditures, operating costs, royalty regimes, and performance that are beyond the Company's control and which could impact future development decisions. See "Risk Factors".

Additional Information Concerning Abandonment and Reclamation Costs

The Company estimates the costs associated with abandonment and reclamation costs for surface leases, wells, facilities, and pipelines through its previous experience, where available, or by estimating such costs. With respect to abandonment and reclamation costs for surface leases, wells, facilities, and pipelines, the Company expects to incur these costs on approximately 26,600 net wells for a total undiscounted amount of \$2.3 billion. Discounted at 10% per year, the total abandonment and reclamation costs, net of estimated salvage value, for wells is \$589 million. This amount was deducted in estimating the future net revenue. Of the undiscounted portion of the total abandonment and reclamation costs, \$134 million is expected to be paid in the next three years.

Production Estimates
Yearly Production Estimates for 2011

	Light Crude Oil (mmbbls)	Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Natural Gas (bcf)	Bitumen (mmbbls)
Canada:					
Total gross proved	24.5	9.9	24.7	200.4	9.8
Total gross probable	1.4	0.4	0.9	7.0	0.1
Total gross proved plus probable	25.9	10.3	25.6	207.4	10.0
International:					
Total gross proved	2.9	—	—	—	—
Total gross probable	0.2	—	—	—	—
Total gross proved plus probable	3.1	—	—	—	—
Total					
Total gross proved	27.4	9.9	24.7	200.4	9.8
Total gross probable	1.6	0.4	0.9	7.0	0.1
Total gross proved plus probable	29.1	10.3	25.6	207.4	10.0

No individual property accounts for 20% or more of the estimated production disclosed.

Production History

The following table summarizes certain information related to the production, product prices received, royalties paid, production costs and resulting netback associated with our reserves data for the periods indicated below.

	Three Months Ended			
	Mar 31, 2010	Jun 30, 2010	Sept 30, 2010	Dec 31, 2010
Average Gross Daily Production:				
Canada – Western Canada				
Light crude oil and NGL (mmbbl/day)	23.4	22.5	23.5	23.0
Medium Crude Oil (mmbbl/day)	25.3	25.1	25.7	25.3
Heavy crude oil (mmbbl/day)	76.4	74.6	72.4	74.6
Bitumen (mmbbl/day)	22.6	21.5	21.9	23.1
Natural gas (mmcf/day)	523.7	503.9	505.5	494.2
Canada – Atlantic Region				
Light crude oil and NGL (mmbbl/day)	49.9	45.0	50.8	41.3
China				
Light crude oil and NGL (mmbbl/day)	11.0	11.2	10.1	10.8
Average Sales Price:				
Canada				
Light crude oil and NGL (\$/boe)	74.73	71.66	71.73	78.90
Medium Crude Oil (\$/boe)	67.60	61.89	59.13	63.40
Heavy crude oil (\$/boe)	61.62	54.87	56.09	58.00
Bitumen (\$/boe)	61.82	54.79	55.41	59.14
Natural gas (\$/mcfge)	5.32	3.89	3.98	4.12
International				
Light crude oil and NGL (\$/boe)	80.15	83.30	79.43	89.28

Production History (continued)

	Three Months Ended			
	Mar 31, 2010	Jun 30, 2010	Sept 30, 2010	Dec 31, 2010
Royalties Paid:				
Canada				
Light crude oil and NGL (\$/boe)	19.15	17.68	15.51	13.18
Medium Crude Oil (\$/boe)	12.96	11.53	10.07	9.91
Heavy crude oil (\$/boe)	9.78	8.45	8.08	7.68
Bitumen (\$/boe)	8.23	9.08	9.32	7.55
Natural gas (\$/mcfge)	0.60	0.48	0.32	0.41
International				
Light crude oil and NGL (\$/boe)	18.63	17.98	17.29	21.78
Production costs:				
Canada				
Light crude oil and NGL (\$/boe)	11.30	12.66	9.79	13.46
Medium Crude Oil (\$/boe)	16.62	17.91	15.63	14.87
Heavy crude oil (\$/boe)	13.68	14.62	15.69	16.41
Bitumen (\$/boe)	22.10	19.57	18.00	21.71
Natural gas (\$/mcfge)	1.79	1.81	2.11	1.69
International				
Light crude oil and NGL (\$/boe)	4.11	6.21	7.69	6.31
Netback⁽¹⁾:				
Canada				
Light crude oil and NGL (\$/boe)	44.28	41.32	46.43	52.26
Medium Crude Oil (\$/boe)	38.02	32.45	33.43	38.62
Heavy crude oil (\$/boe)	38.16	31.80	32.32	33.91
Bitumen (\$/boe)	31.49	26.14	28.09	29.88
Natural gas (\$/mcfge)	2.93	1.60	1.55	2.02
International				
Light crude oil and NGL (\$/boe)	57.41	59.11	54.45	61.19

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.

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 (between 20° API and 10° API and is liquid) and bitumen (solid or semi-solid with a viscosity greater than 10,000 centipoise at original temperature in the deposit and atmospheric pressure), 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 two million gross acres within this area. Over 90% 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, Mervin, Marwayne, Lashburn, Gully Lake, Vermilion, Swimming, Morgan, Lindbergh, Aberfield, Mardsen, Epping, Furness 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 m to 650 m 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 80.4 mbbbls/day in 2010. Of the total production, 59.8 mbbbls/day was primarily production of heavy crude oil, including cold production techniques, 18.3 mbbbls/day was production from Husky's thermal operations at Pikes Peak (cyclic steam), Bolney/Celtic (SAGD) and the Pikes Peak South pilot (SAGD), and 2.3 mbbbls/day was from the medium gravity waterflooded fields in the Wainwright and Wildmere areas. Husky also produces natural gas from numerous small shallow pools in the Lloydminster region, and recovers solution gas produced from heavy oil wells. During 2010, Husky's gross natural gas production from the Lloydminster region averaged 34.4 mmcf/day.

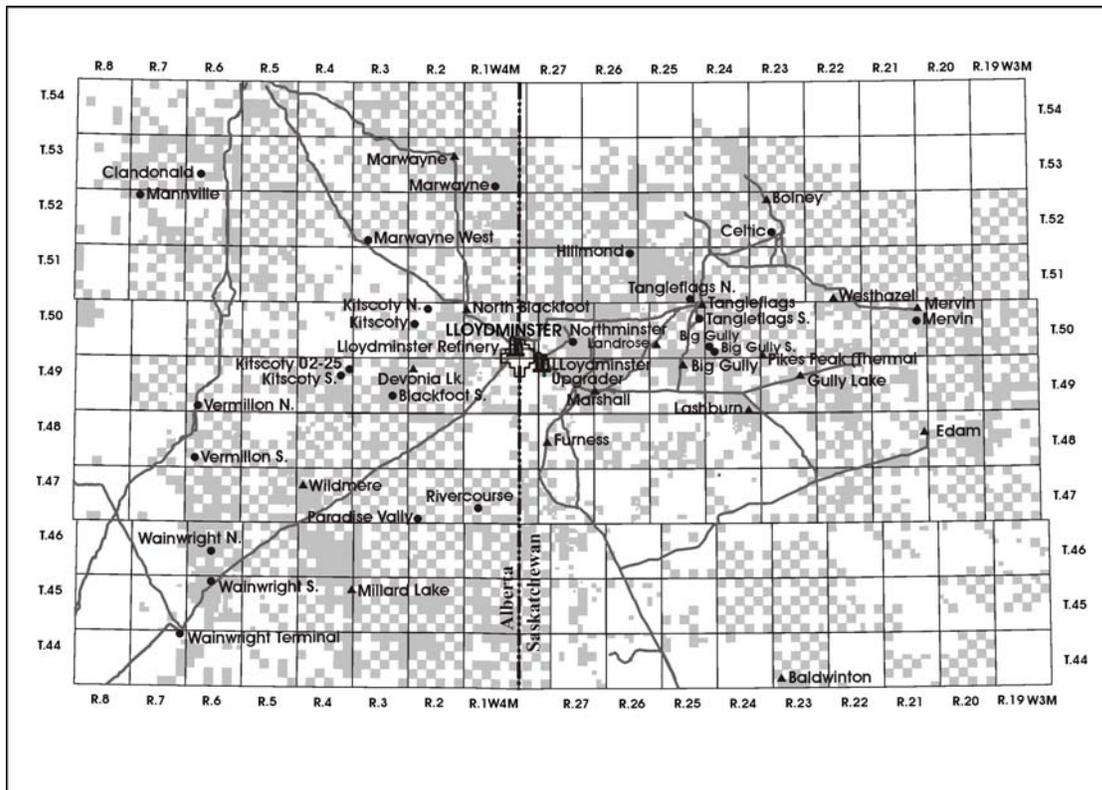
In the Lloydminster area, the Company owns and operates 19 oil treating facilities which are tied into the Husky heavy oil pipeline systems. These pipeline systems transport heavy crude oil from the field locations to the Husky Lloydminster asphalt refinery, the Husky Lloydminster Upgrader, the Enbridge Pipeline, the Express Pipeline and the 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 development and application of improved recovery technologies, will maintain heavy crude oil production in the Lloydminster area.

Non-Thermal EOR

Husky continued to operate two solvent EOR pilots through 2010 at Edam and Mervin. A CO₂ capture and liquefaction plant at the Lloydminster Ethanol Plant is under construction with expected completion in the third quarter of 2011. This liquefied CO₂ is to be used in the ongoing piloting program. A microbial EOR pilot in Wainwright, Alberta continued in 2010 with nine wells continuing to show a substantial response eight months after treatment. A second pilot in Devonian Lake has commenced with two cycles of treatments completed. The preliminary results show a 20% increase in oil production.

Lloydminster Area



British Columbia/Foothills/Northwest Plains

Rainbow Lake District

Rainbow Lake, located approximately 700 km northwest 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 (working interest) production from this area averaged 6.4 mbbbls/day of light crude oil and NGL and 57.1 mmcf/day of natural gas during 2010.

At the end of 2010, Husky holds a 50% interest in, and operates, the Rainbow Lake processing plant. The processing design rate capacity of the plant is 85 mbbbls/day of crude oil and water and 238 mmcf/day of raw gas. The extraction design capacity is 17.6 mbbbls/day of NGL.

Husky acquired ExxonMobil's interests in the Rainbow Lake, Sierra, Ram River and Foothills areas on February 4, 2011. This acquisition added a total of 16.3 mboe/day of natural gas and 5.6 mbbbls/day of crude oil and liquids production in February 2011. Total proved reserves for the acquisition were 104 mmmboe with proved plus probable reserves of 113 mmmboe. Approximately 57.0 mmcf/day natural gas and 5.0 mbbbls/day oil and liquids production is in the Rainbow Lake/Sierra area with the remainder in the Ram River and Foothills areas. With this acquisition, Husky now has a 100% interest in the Rainbow Lake processing plant. The Company's oil and gas reserves disclosures at December 31, 2010 do not include additions from the acquisition.

Husky also has a 100% interest in a compression and dehydration facility at Bivouac that has a capacity to process 20 mmcf/day. In 2010, throughput at this facility averaged 16.9 mmcf/day. Husky's strategy in respect of this area is to drill and tie-in four to eight development wells per year to fully load the facility in 2011. Husky also holds a working interest in the EnCana Sierra gas plant in this same area which processes Husky gas from the Ekwan area. In 2010, gross production from the Ekwan asset was 9.8 mmcf/day natural gas and 35 bbls/day of NGL. 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.

Husky holds an interest in one non-operated property at Bistcho in the Rainbow Lake District. Husky's gross production from this property averaged 1.3 mmcf/day of natural gas and 2.7 bbls/day of liquid hydrocarbon in 2010.

Northern Alberta District

The Northern Alberta District surrounds the communities of Peace River and Slave Lake northwest of Edmonton, Alberta and is comprised of shallow gas production and 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 400 to 500 m. In 2010, gross production from this district averaged 43 mmcf/day of natural gas. Husky's largest gas 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 7.0 mmcf/day in 2010.

The Company continued to expand its primary heavy oil production base in the Northern Alberta district averaging 4,830 bbls/day in 2010. Husky's McMullen field is located 40 km southwest of the Hamlet of Wabasca. Heavy oil production is expected to increase from 3,000 bbls/day to 4,000 bbls/day as a result of development program that started in late 2010 and carrying through into 2011. The Company is proceeding with an EOR pilot project in 2011 which includes construction of facilities, drilling of observation wells and a horizontal production well. In addition, Husky is preparing a 2012-2015 program to select the most profitable development scheme for the western part of the field, which is earmarked for SAGD or Cyclic Steam Soak, among other proved technologies. The Company received ERCB approval for a SAGD pilot in 2010.

Other primary heavy oil production tests are underway in both the Amadou, Cadotte and Twin Lake areas.

In 2011, 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.

High Level District

The High Level district of Alberta is approximately 600 km 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 2010, gross production from this area averaged 11.5 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 three high deliverability natural gas wells, capable of combined raw gas production of 29 mmcf/day. Husky holds a 34% interest in one unitized well, 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 2010, the plant operated at approximately 45% 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 29 mmcf/day of Husky gross production from the Blackstone, Brown Creek, Cordel and Stolberg fields and an average of 9 mmcf/day of Husky gross production from Ricinus, 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 17 mmcf/day of natural gas, bringing total Husky gross production of natural gas from the Ram River district to 55 mmcf/day in 2010. The Company's 2011

plans for the Ram River district include continued development drilling in North Blackstone area.

Husky has a sour gas pipeline network that supports the Ram River plant. Husky operates a network of 845 km of sour gas pipelines in the Ram River district and holds a 30% interest in 684 km 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 km 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 active in pursuing exploration and production activities in this area which may provide additional opportunities for generating third party natural gas processing revenue. In 2010, net processing income was \$5.3 million down from \$10.5 million in 2009 due, in part, to lower Shell Tay River natural gas volumes and acquisitions of non-owner gas production by plant owners in 2010.

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 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 Company also has various working interests in sweet gas gathering and compression facilities in the area. During 2010, Husky gross production from this district was 661 bbls/day of crude oil and NGL and 9.8 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 northeast 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 6.3 mmcf/day of natural gas and 1,081 bbls/day of crude oil and NGL during 2010.

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 2,153 bbls/day of crude oil and NGL and 7.5 mmcf/day of natural gas in 2010. In 2011, the Company plans to continue to optimize the 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 8.1 mmcf/day of natural gas and 458 bbls/day of crude oil and NGL in 2010. In 2011, Husky plans to drill three multi-zone Exploration wells to define the extent of this significant resource in the Kakwa area.

Lynx, Copton and Grande Cache Areas

During 2010, Husky average gross production from this asset was 11.6 mmcf/day of natural gas. Although there are a number of future drilling opportunities in this area, capital has been re-directed to oil and liquids rich gas opportunities.

Foothills West District

Caroline Area

Husky holds a 14% working interest in the 32,000 acre Caroline natural gas field located approximately 97 km northwest of Calgary. The field has a high proportion of NGL and as a result the economics of this field are enhanced.

Husky also holds a 14% interest in the Caroline sour gas processing facility. The plant is presently running at 57% utilization based on design capacity and is processing approximately 107 mmcf/day of total plant natural gas sales and 10.6 mbbls/day of NGL. Husky gross production from the Unit was 1,101 bbls/day of NGL and 2.4 mmcf/day of natural gas in 2010.

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 41.2 mmcf/day of natural gas and 1,972 bbls/day of NGL in 2010. The 2010 development drilling program consisted of 30 gross wells. The Company plans to drill 41 gross gas wells and tie in 50 gross gas wells in 2011 to grow natural gas sales production by 17 mmcf/d and 825 bbls/d NGLs by September, 2011.

Sikanni and Federal Areas

Husky holds interests in properties in the Sikanni and Federal areas of northeast British Columbia, which averaged gross production of 13 mmcf/day of natural gas from 10 wells in 2010. Husky natural gas production flows through its gathering systems for processing at third party plants at Sikanni and McMahon. A pilot test commenced in 2010 to de-water previously watered out structures which contain 60-80% of the original gas reserves which were trapped at high pressure by encroaching water.

Graham Area

Husky holds a 40% working interest in land in the Graham area of northeast British Columbia. Husky gross production from this area in 2010 averaged 4.1 mmcf/day of natural gas. Production from the property is from one Halfway and seven Baldonnel 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 43% 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 nine wells in this exploration area. Husky is currently flowing natural gas production through interruptible capacity in the Spectra (Duke) system and averaged 22.3 mmcf/day of gross natural gas production from this area in 2010. Although the Company has a number of drilling opportunities in this area, activity in 2011 has been reduced significantly due to low natural gas commodity prices to re-focus capital spending on oil and liquids rich gas opportunities.

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's gross production from this area averaged 62 mmcf/day of natural gas and 2.3 mbbls/day of crude oil and NGL in 2010. In the Hussar District, Husky intends to focus on light crude oil development in the Carolside area and is currently reviewing ASP potential which includes petrophysical studies being completed in the second quarter of 2011. In the Red Deer District, the focus will be on acquisition and development of oil resource properties. Husky's 2011 development plan for its gas properties has been significantly reduced due to lower returns in the current price environment.

Provost District

The centre of the Provost district is approximately 240 km southeast of Edmonton and includes a large area in both Alberta and Saskatchewan. It is predominantly a medium crude oil area that averaged gross production of

12.9 mbbbls/day of crude oil and 14.0 mmcf/day of natural gas in 2010. The main producing zones are from Mannville for oil and gas and Viking for oil. Husky continues to reduce operating costs and improve oil recovery through the application of horizontal drilling and new central processing. In 2011, Viking oil drilling will target high production reservoirs utilizing horizontal drilling with multiple fracturing treatments. The new \$22 million Windy Lake Oil Battery is on track for first oil in the first quarter of 2011 with an expected 700 boe/day. The new facility will allow for reduced operating costs by substantially reducing trucking cost and increased hydrocarbon recovery due to more efficient operations. Husky holds a large land position and maintains close to a 100% working interest in most of the 25 facilities it operates.

Athabasca District

The Athabasca district extends approximately 175 km north of Edmonton, and from the Alberta-Saskatchewan border in the east, to the Alberta foothills in the west. The predominant area target has traditionally been shallow gas, ranging from 450 m to 900 m in the multi-zone Palaeozoic Mannville formation, but more recently Husky has applied horizontal wells with multiple fracturing treatments for oil in the Viking formation, with quality results. The main producing areas are Athabasca, Craigend and Redwater. Husky operates 32 facilities with pipeline systems and holds an average working interest of 90% in the producing wells. Husky intends to continue developing the gas areas with infill and step out wells to optimize recovery. Horizontal oil drilling in the Viking formation along with vertical oil well development in several other areas will be preferentially applied to maximize capital returns at current oil prices. Husky's gross production from this area averaged 29.2 mmcf/day of natural gas and 827 bbls/day of crude oil in 2010.

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 net production from properties in this district averaged 13.7 mbbbls/day of crude oil and 25.2 mmcf/day of natural gas during 2010.

Husky operates 28 oil batteries and eight gas facilities in the southern Saskatchewan district. The oil pools in this area are exploited using pressure maintenance and waterflood recovery operations.

At Gull Lake, the ASP flood is fully operational and one full year of injection has been achieved. Production rate increases are anticipated in the third quarter of 2011.

Weir Hill, an oil battery and gathering system is nearing completion for a start-up in March 2011 to reduce trucking costs and enable well optimizations.

The Fosterton ASP flood is currently in final approval stage. It is expected that facility construction will begin in the second quarter of 2011. Facility completion and full ASP injection is expected to commence in the third quarter of 2012. Husky is the operator and holds a 62.4% working interest in this project.

Southern Alberta District

Husky has a significant presence in southern Alberta with a field office in Taber and additional major operations near Brooks and Milo. Total net production from this district averaged 8.5 mbbbls/day of crude oil and 21.9 mmcf/day of natural gas during 2010.

Husky operates 20 oil facilities and three natural gas facilities in the area 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 both associated and non-associated from a mixture of deep and shallow formations.

At Warner, near Taber, Husky is in the fourth year of operating an ASP flood to increase recovery from the Cretaceous Mannville reservoir and Husky has recently implemented a second ASP flood at Crowsnest which just completed its third year of operation.

Oil Sands

Tucker

At Tucker, an in-situ SAGD oil sands project located 30 km northwest of Cold Lake, Alberta, production commenced at the end of 2006. Production from the initial 32 well pairs was slow to ramp-up 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. Throughout 2009, work continued to optimize reservoir operating strategy with production improving throughout 2009 to a December 2009 average rate of 5 mbbbls/day (gross). Based on a greater understanding of the Tucker reservoir, Husky is addressing production challenges by remediating older wells with innovative new stimulation techniques, drilling new wells and initiating new start up procedures and the results will be evaluated over the next six to twelve months. Husky drilled 32 wells (16 well pairs) in 2010 and is expecting to drill eight wells (four well pairs) in 2011. Three well pairs commenced production in late September 2010 and are exceeding the performance of well pairs previously drilled. Production at Tucker in December 2010 was 6.1 mboe/day. Several applications to the ERCB have been approved or are proceeding for additional drilling and field development through to 2015.

Sunrise

In early 2008, Husky and BP created an integrated North American oil sands business consisting of Upstream and Downstream assets based on Husky's Sunrise holdings and BP's Toledo, Ohio, U.S. 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.

FEED for Phase I of the Sunrise in-situ SAGD oil sands project, located in the Athabasca region of northern Alberta, was completed in December 2009. During 2010, the Partnership reached an agreement with Enbridge, IPF and Keyera on the movement of diluted bitumen to market and transportation of diluent to the Sunrise oil sands site. Project sanction for Phase I was announced in late 2010 and Husky awarded major engineering and construction contracts to Snamprogetti Canada for the central processing facilities and to Worley Parsons for the field facilities. Development drilling commenced in the first quarter of 2011. First production for Phase I is planned for 2014.

The Sunrise project was approved by the ERCB in December 2005. An amendment application was submitted in March of 2007, which outlines changes and optimizations resulting from ongoing depletion planning and FEED. Amendment approvals from the ERCB were received in December 2008 and approval from Alberta Environment was received in the first quarter of 2009. A second amendment to optimize the central plant facility design was filed with the regulators in July 2009 and approval was received from both the ERCB and Alberta Environment in December 2009. Work is ongoing with various industry participants on regional infrastructure issues, an air strip became operational in 2008 and a new access road was completed in 2010. Phase I will produce 60 mbbbls/day of the full project which Husky currently has regulatory approval for of 200 mbbbls/day once all phases are constructed and operational.

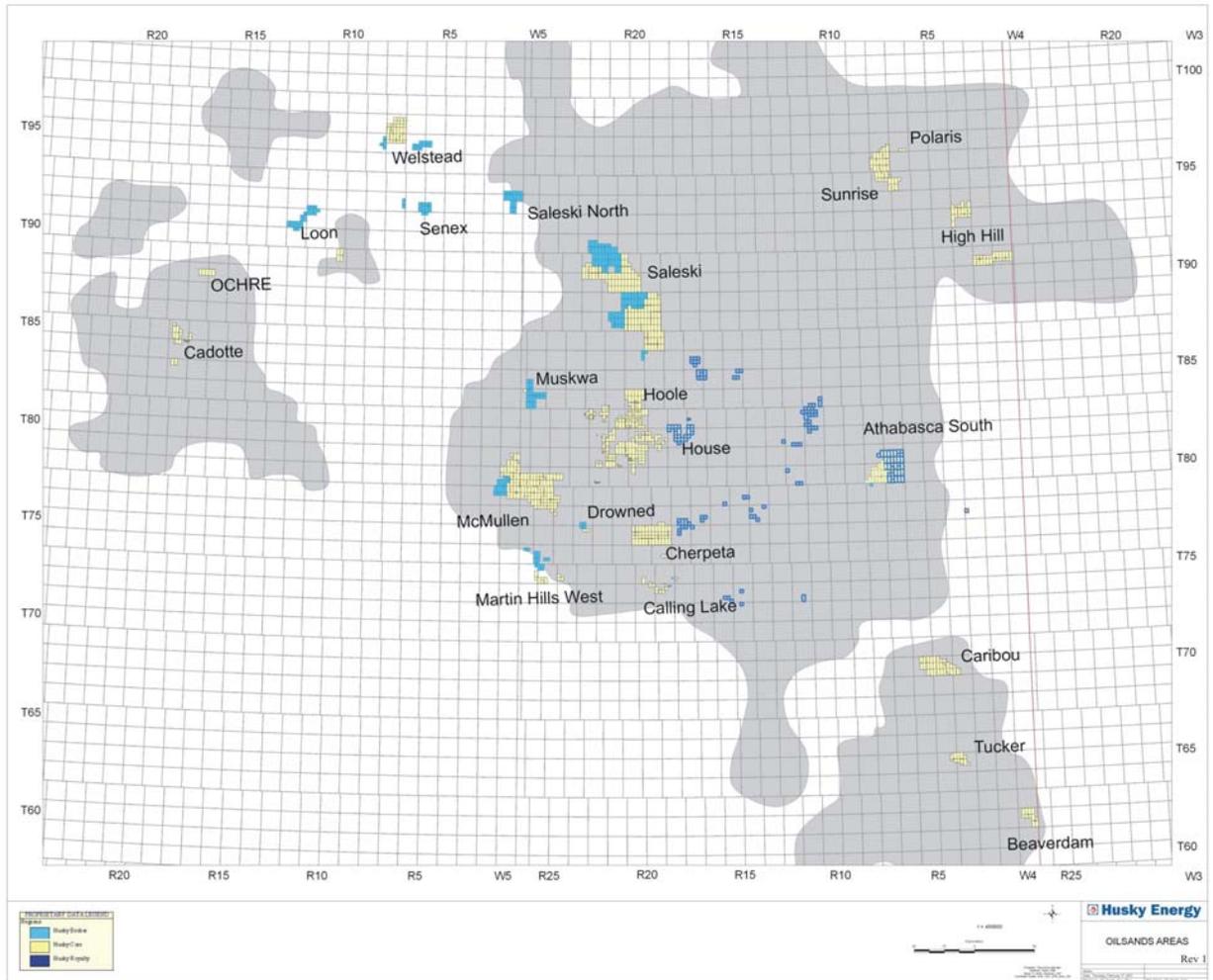
Husky has initiated conceptual engineering for subsequent phases and is expecting a comprehensive full field development plan to be established by the end of 2011.

Undeveloped Oil Sands Assets

Husky holds 448,000 acres in eight undeveloped oil sands leases. Husky is progressing the largest assets (Saleski and McMullen) towards pilots of thermal production in the first half of this decade, with an aim to achieve commerciality within the next ten years.

In Saleski, just north of Wabasca and bordering Laricina's thermal pilot area, Husky is drilling over 20 wells per year to high-grade its acreage and select an initial production area by 2013. Depending on the results of the ongoing Laricina test, the Company may progress a commercial demonstration pilot of up to 10 mbbbls/day by 2016-17.

In alignment with the financing strategy to divest non-core assets that do not affect production or reserves, Husky sold its Polaris North leases, northwest of Sunrise, in the first quarter of 2011. Further portfolio activity will focus on accelerating the development of our other oil sands leases (e.g. Caribou, Polaris South and Athabasca South) which are located in areas with ongoing production using proved production technologies (CNRL's Primrose, Suncor's Firebag, Statoil's Kai Kos Deseh, respectively).



Northwest Territories (“NWT”)

In the NWT, Husky has a focused land position in the Central Mackenzie Valley consisting of two Exploration Licences (“EL”). In addition, the Company has interests in several freehold blocks and two Significant Discovery Licences (“SDL”). During 2010, Husky completed the reclamation of staging areas used in previous drilling and seismic programs and well sites, including abandonment of four previously suspended exploration wells. Husky holds a 40% to 75% working interest in the NWT lands. Exploration success to date has not secured sufficient hydrocarbon volumes to meet the threshold for commercial development. No activity is planned for 2011.

Atlantic Region

Husky’s offshore East Coast exploration and development program is focused in the Jeanne d’Arc Basin on the Grand Banks, which contains the Hibernia, Terra Nova, White Rose and North Amethyst oil fields. Husky holds ownership interests in the Terra Nova, White Rose and North Amethyst oil fields as well as in a number of smaller undeveloped fields in the central part of the basin and also holds significant exploration acreage. Husky also holds a portfolio of exploration licenses in offshore Greenland.

White Rose Oil Field

The White Rose oil field, which Husky operates is located 354 kilometres off the coast of Newfoundland and Labrador approximately 48 kilometres east of the Hibernia oil field on the eastern section of the Jeanne d’Arc Basin.

First oil was achieved at White Rose in November 2005. The White Rose field was the third oil field developed offshore Newfoundland & Labrador. The field currently has eight production wells, ten water injectors, and three gas injectors. Husky continues to look at means of enhancing oil recovery from the core field. During 2010, gross production from the White Rose field averaged 31.2 mbbls/day.

On May 31, 2010, first oil was achieved from North Amethyst, the first of a number of potential satellite field expansions for the White Rose area. The field is located approximately 6 kilometres southwest of the *SeaRose FPSO* production vessel. Production flows from North Amethyst to the *SeaRose FPSO* through a series of subsea flowlines. During 2010, gross production from North Amethyst averaged 7.0 mbbls/day. As of early January 2011, the field had two production wells and two water injectors online. Development drilling will continue through to 2013. A total of 11 wells are currently planned for the main North Amethyst development.

In December 2009, Husky announced the results of stratigraphic well testing of a second, deeper formation at North Amethyst. Drilled in 2008, the well encountered an oil bearing zone with approximately 55 metres of net pay in the Hibernia sandstones. Husky expects to file necessary documents to develop this resource in 2011. Further assessment of the Hibernia sandstone potential beneath the main White Rose field is continuing.

Husky continues to progress plans for a staged development of the West White Rose field. In August 2010, the Company received regulatory approval for a 2-well pilot project to be drilled from existing infrastructure in the White Rose field. These wells will provide additional information on the reservoir to refine development plans for the full West White Rose field. A production licence was received in the fourth quarter of 2010, and first production is anticipated mid-2011. Drilling of the first well commenced shortly after regulatory approval was received in August 2010 and will be completed and brought into production in 2011.

The South White Rose extension, the smallest of the satellite tie-back developments, was approved by the federal and provincial governments in September 2007. Husky continues to look at this area in the context of all three tie-back opportunities with a view toward optimizing the overall tieback program.

Husky has and will continue to consider technical options for the development of natural gas in the Jeanne d’Arc Basin. In parallel and pending rig availability, exploration and delineation drilling will improve estimates of the resource base ahead of any future development.

Husky is the operator of the White Rose field and satellite tiebacks including North Amethyst and West White Rose, with a 72.5% working interest in the core field, and a 68.875% working interest in the satellite fields. Other partners include Suncor (formerly Petro-Canada) 27.5% core field, and 26.125% satellites, and Nalcor Energy, the energy corporation of Newfoundland and Labrador, with 5% in the White Rose satellite fields.

Terra Nova Oil Field

The Terra Nova oil field is located approximately 350 kilometres southeast of St. John’s, Newfoundland & 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. Production at Terra Nova commenced in January 2002.

Effective December 1, 2010, Husky's working interest in the field increased to 13.00% from 12.51%, following completion of a redetermination process that commenced following field payout as per the conditions of the Terra Nova Development and Operating Agreement. This resulted in a one time payment to Husky of \$31.8 million, net of tax, representing Husky's share of production during the interim period from the start of the redetermination period to December 1, 2010. The change in working interest will also increase Husky's share of remaining reserves at Terra Nova by approximately one million barrels.

Husky's gross share of production in 2010 from the Terra Nova field was 3.1 mmbbls or an average 8.55 mbbls/day.

As at December 31, 2010, there were 14 development wells drilled in the Graben area, eight production wells, three water injection wells and three gas injection wells. In the East Flank area there were 11 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. The Terra Nova Owners have signed a new rig sharing agreement and drilling operations are expected to resume in early 2011.

East Coast Exploration

Husky believes that the areas offshore Canada's East Coast have exploration potential, and that the Company's position there will provide growth opportunities for light crude oil and natural gas development in the medium to long-term. Husky presently holds working interests ranging from 5.8% to 73.125% in 16 significant discovery license areas (SDAs) in the Jeanne d'Arc Basin, as well as interests ranging from 17.1% to 19.4% in five SDLs on the Labrador Shelf, a region that could be significant, in the long-term, for natural gas reserves.

In February 2010, Husky and its partner received an SDL for the Mizzen prospect in the Flemish Pass. A second, adjacent SDL was acquired in November 2010. Husky is a 35% partner in both licenses.

Husky also received exploration rights to three additional parcels of land during the Canada-Newfoundland and Labrador Offshore Petroleum Board's November 2010 land sale. The exploration properties are adjacent to other Husky land holdings in the Jeanne d'Arc Basin and Flemish Pass.

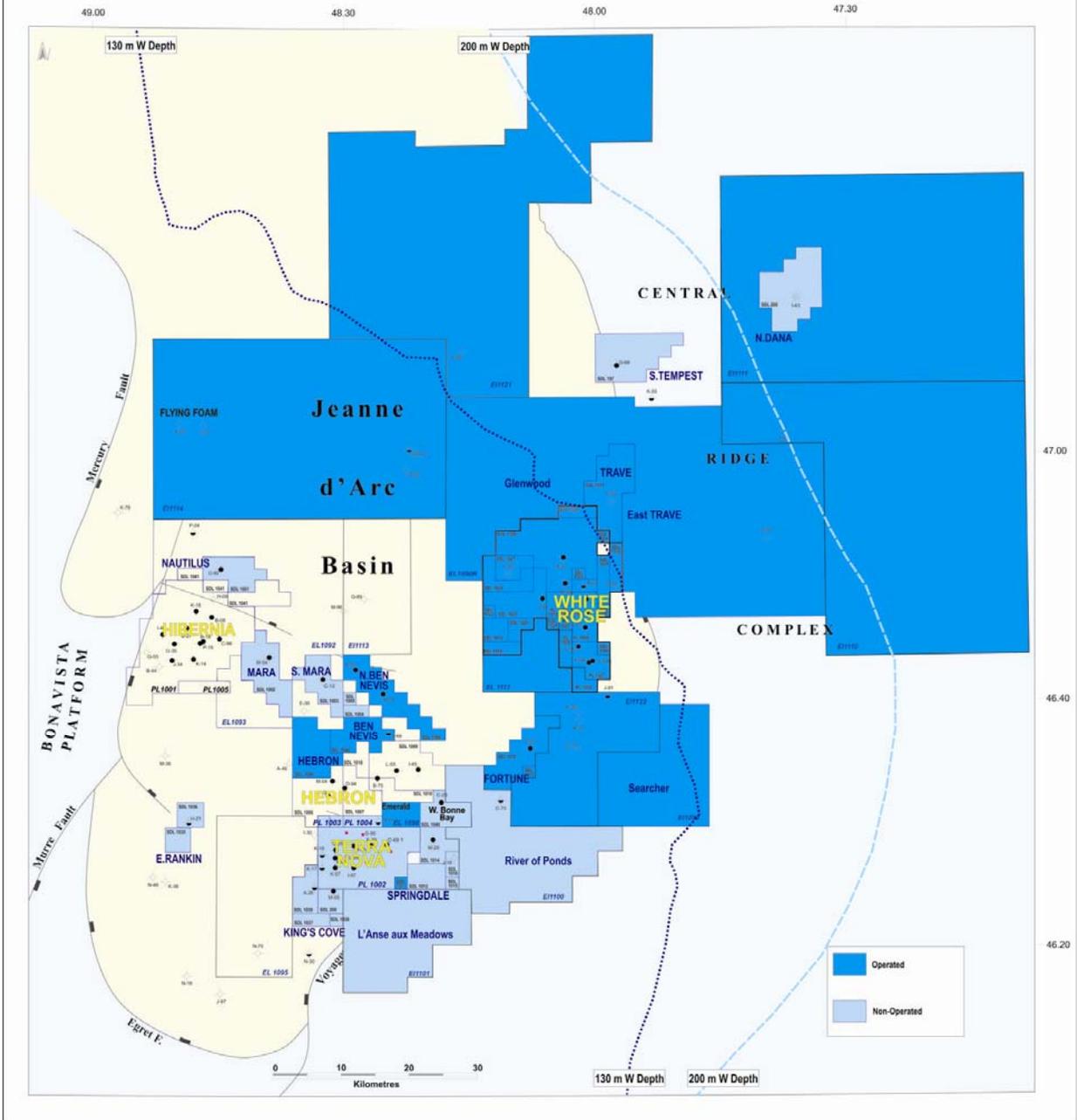
As of December 31, 2010 Husky held a working interest in 17 Exploration Licences ("EL") offshore Newfoundland primarily in the Jeanne d'Arc Basin. Husky is the operator of 13 ELs, of which it holds a 100% interest in six. Husky holds working interests ranging from 35% to 72.5% in the remaining three operated and four non-operated ELs. Husky also holds, and is the operator of, two ELs offshore Labrador.

Husky continues to evaluate drilling opportunities in the context of its full portfolio of East Coast land holdings, and plans to drill one to two exploration wells in 2011. Results of the Glenwood H-69 exploration well, drilled in the first quarter of 2010, continue to be evaluated.

Two-Dimensional seismic surveys were carried out in the summer of 2010 on land holdings in the Sydney Basin and offshore Labrador including 3,000 kilometres of seismic on a new exploration parcel in the Sydney Basin, and a 2,500 kilometre survey on EL1106 and EL1108 offshore Labrador. Pending regulatory and partner approvals, Husky is considering a 3-D seismic acquisition program for offshore Labrador in 2011 or 2012.

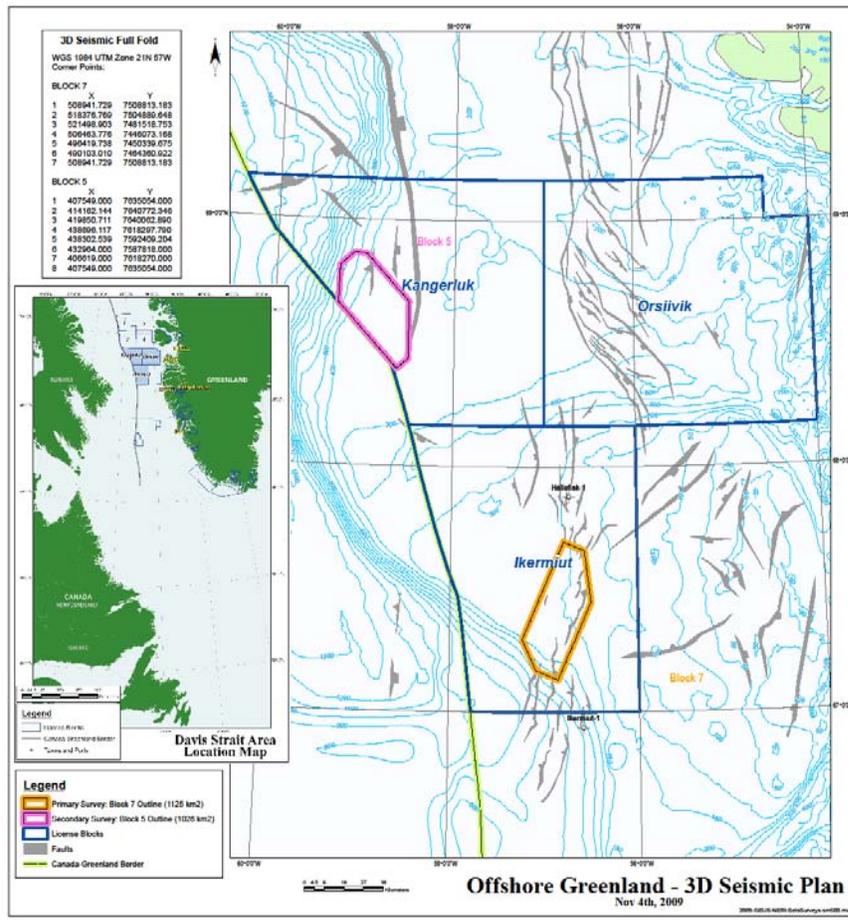
Jeanne d'Arc Basin

Husky Working Interest Lands



Greenland

Husky holds three ELs totalling 34,280 sq km offshore the west coast of Disko Island, Greenland. During 2009, Husky acquired 2,200 sq km of 3D seismic over Husky operated licenses 2007/22 (Block 5) and 2007/24 (Block 7) (Husky 87.5% working interest). This program represents the first 3D seismic ever acquired offshore Greenland. A high resolution aero-gravity and magnetic survey covering all three licenses was also completed 2009. Husky is participating in ongoing joint environmental impact studies and ice studies. The Greenland Oil Industry Association (“GOIA”) was formed in 2009 and Husky is a founding member. Main objectives of GOIA are to expand the knowledge base to conduct safe and environmentally friendly operations offshore Greenland and to provide a forum for industry communication with stakeholders and authorities. In 2010, Husky completed final processing of the 3-D seismic for Block 7, with final processing of Block 5 data expected to be completed in the first quarter of 2011. Preliminary evaluation of the seismic data has identified several leads. The Company plans to identify potential drilling locations over the course of the first quarter of 2011.



International

Husky’s other international exploration and development programs are currently located in South East Asia. In China, the Company has a 40% interest in an offshore oil producing operation at Wenchang and a 100% interest in two exploration blocks in the South China Sea. In Indonesia, the Company currently has a 40% interest in the Madura Strait PSC and a 100% interest in the North Sumbawa II exploration block.

China



South China Sea

Wenchang

The Wenchang field is located in the western Pearl River Mouth Basin, approximately 400 km south of Hong Kong and 100 km east of Hainan Island. Husky holds a 40% working interest in two oil fields, which commenced production in July 2002. The Wenchang 13-1 and 13-2 oil fields are producing from 32 wells in 100 m of water into a floating production, storage and offloading vessel stationed between a fixed platform located in each of the two fields. The blended crude oil from the two fields averages approximately 35° API, similar to the benchmark Minas blend. Husky's working interest gross production averaged 10.7 mbbls/day during 2010.

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 km southeast of Hong Kong and 65 km southeast of the Panyu gas discovery. Water depths range from 700 m to 1,700 m and the block currently covers an area of approximately 551,033 acres (2,230 sq km), following 25% relinquishments at the end of Exploration Phase I in 2007 and Exploration Phase 2 in 2009. CNOOC has the right to participate in the development of any discoveries up to a 51% working interest.

Husky drilled the Liwan 3-1-1 natural gas discovery in 2006. The well was drilled in 1,500 m of water to a total depth of 3,843 m on a large structure with up to 14,826 acres (60 sq km) of closure and encountered 56 m of net natural gas pay on logs over four zones. In August 2006, Husky shot a 98,842 acre (400 sq km) 3D seismic survey over the Liwan 3-1 field 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*. A further 646,180 acres (2,615 sq km) of 3-D seismic data was acquired in 2007 and 2008. The *West Hercules* drilling rig spud the first appraisal well at Liwan 3-1 on November 20, 2008 and successfully completed a three well delineation program in the third quarter of 2009.

During 2009, Husky also drilled four exploration wells on Block 29/26, which resulted in the discovery of a new gas field at Liuhua 34-2, approximately 23 km to the northeast of the Liwan 3-1 field.

In 2010, the Company drilled a new natural gas discovery at Liuhua 29-1, approximately 43 kilometres to the northeast of the Liwan 3-1 field. The well tested natural gas at an equipment restricted rate of 57 mmcf/day. Husky also completed drilling two delineation wells on the 29-1 field.

The Company also drilled exploration wells at the Liwan 3-3, Liwan 5-2, Liuhua 34-2 and Liuhua 34-3 prospects without encountering commercial amount of hydrocarbons.

During 2010, Husky drilled four development wells on the Liwan 3-1 field. The Liwan 3-1-10, Liwan 3-1-9, Liwan 3-1-5 and Liwan 3-1-8 which were cased and will be used as future producing wells as part of the company's nine well development program for the field. The Company also drilled an appraisal well in the eastern part of the Liwan 3-1 field.

In order to accelerate the Liwan 3-1 development a FEED study was initiated in second quarter of 2009 and completed in early 2010. The Original Gas In-place ("OGIP") Report was submitted to the Chinese Government in late December 2009 and was approved in the third quarter of 2010. In late 2010, Husky Oil China Ltd. signed a Heads of Agreement with CNOOC which specifies key principles of the partnership to fund, develop and operate the Liwan 3-1 deep water gas field. This document is a precursor to the Supplemental Development Agreement ("SDA") which will be the definitive agreement governing these issues. Husky expects the plan of development for the Liwan 3-1 field to be submitted in the first quarter of 2011 and is currently tendering all of the deepwater equipment and installation activity. Under the current plan, the Liwan 3-1 and Liuhua 34-2 fields on Block 29/26 will be developed in parallel, with first gas production targeted in late 2013. The plan of development for the Liuhua 29-1 field is targeted for submission in 2012, after appraisal drilling and evaluation work has been completed.

The Liwan 3-1 natural gas field, will use a subsea production system connected to a central shallow water platform by flow lines. The platform will be connected by pipeline to an onshore gas plant with access to the energy markets of Hong Kong and Guangdong province on the China mainland. Husky and development partner, CNOOC, have established a joint marketing group for the sale of Liwan 3-1 natural gas and associated natural gas liquids. The Liuhua 34-2 and Liuhua 29-1 discoveries will be tied into the proposed Liwan 3-1 shallow water infrastructure.

Block 63/05

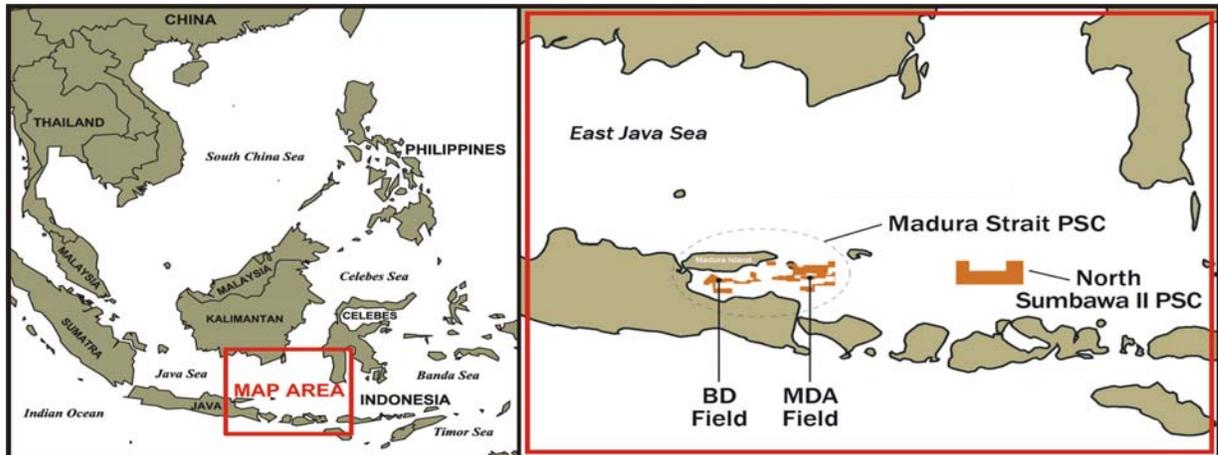
Husky executed a PSC with CNOOC for the 63/05 exploration block on June 25, 2008. The block is located in the South China Sea approximately 50 km south of Hainan Island and covers an area of approximately 439,100 acres (1,777 sq km). The 63/05 block is located in the Qiongdongnan Basin in water depth of less than 120 m. The PSC requires the drilling of a single exploration well in the first exploration phase to a depth of 1,500 m and 300 sq km of 3D seismic, with a minimum work commitment of U.S. \$10 million. Processing of new 2-D and 3-D seismic data has been completed and the data is currently being interpreted. A decision will be made in the first quarter of 2011 on the drilling of an exploration well which is planned for later in 2011. CNOOC has the right to participate in the development of any discoveries up to a 51% working interest.

East China Sea

Block 04/35

In 2010, the Company made the decision to relinquish the block at the end of the first exploration term of the PSC. This decision was made following the results of the drilling of the HZ 8-1-1 exploration well which was drilled in 2010 and did not encounter hydrocarbons.

Indonesia



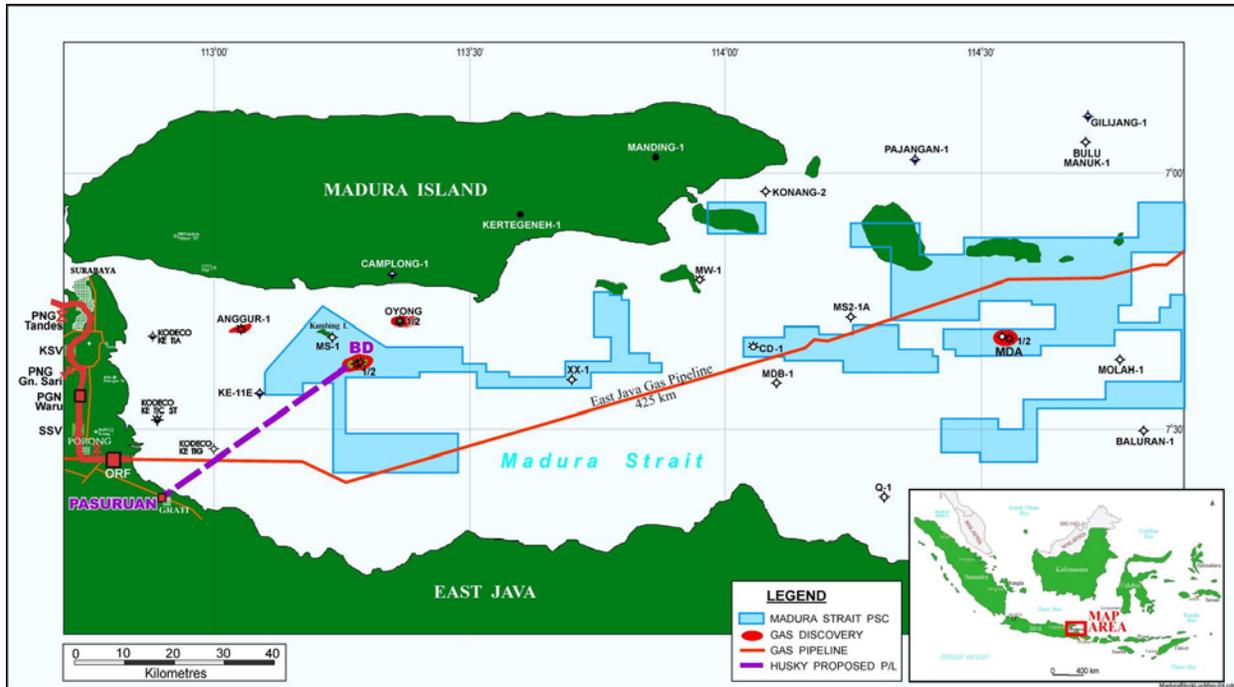
North Sumbawa II, Indonesia

Husky executed a PSC in November 2008 with the Government of Indonesia for the North Sumbawa II block. The block is located in the East Java Basin approximately 300 km east of Madura Strait PSC and covers an area of 1,249,831 acres (5,058 sq km). 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. Husky satisfied its seismic work commitment by acquiring 1,020 km of 2D seismic in December 2009. Processing of this data is at an advanced stage. Husky will use this data to define an exploration prospect for future drilling, which is currently planned to commence in 2012. Husky holds a 100% interest in the North Sumbawa II block.

Madura Strait, Indonesia

Husky has a 40% interest in approximately 690,412 acres (2,794 sq km) of the Madura Strait block, located offshore East Java, south of Madura Island, Indonesia. The two partners include CNOOC who is the operator and has a 40% working interest and Samudra which has the remaining 20%. 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 in 2008 by the Government of Indonesia.

In October 2010, the Government of Indonesia approved an extension of the existing Madura Strait PSC that was originally awarded in 1982. The approval provides a 20-year extension to the existing contract which now runs until 2032. This extension provides the basis for the development of the Madura BD field. The front end engineering was completed in the second quarter of 2010 with the engineering tendering process to begin in early 2011. Production is planned to come on stream in mid 2014.



Shatirah, Libya

The Company has a non-operated interest in a small crude oil production operation in the Shatirah field, onshore Libya. The Company has no personnel currently stationed in Libya.

United States

Columbia River Basin (Washington State – USA)

Husky holds approximately 1.7 million gross acres of undeveloped land in the Columbia River Basin located in the states of Washington and Oregon. This under explored basin is characterized by tertiary sandstones that lie below a layer of volcanic basalt. The potential exists to unlock a large gas resource that is located in an area containing existing natural gas pipelines that transport gas to the states of Washington, Oregon and California. In 2010, Husky participated in a seismic program designed to optimize the seismic acquisition parameters to help penetrate below the basalt cover, with encouraging early results. Evaluation of this new data is continuing and further work on these lands will depend upon the final results of this analysis.

Distribution of Oil and Gas Production

Crude Oil and NGL

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 130% of Husky’s heavy crude oil production from the Lloydminster area. Therefore, in order to keep all units running at the upgrader and refinery, purchase of third party production is required. 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. NGL 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 NGL 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,		
	2010	2009	2008
	(mmcf/day)		
Sales to end users			
United States	223	271	348
Canada	164	181	201
	387	452	549
Sales to aggregators	3	5	19
Internal use ⁽¹⁾	117	85	28
	507	542	596

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
2011	18.7	6.39	2.4
2012	17.6	6.28	1.5
2013	11.5	4.28	1.5
2014	11.5	4.28	1.5
2015	3.8	4.28	1.5

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, NGL, 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 commissioning of the Upgrader, heavy crude oil was either used as feedstock for asphalt production or 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. Current 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 51 mbbls/day of synthetic crude oil, 10 mbbls/day of diluent and 2 mbbls/day of low sulphur diesel in 2010. In addition, the Upgrader also produced, as by-products of its upgrading operations, approximately 290 lt/day of sulphur and 340 lt/day of petroleum coke during 2010. These products are sold in Canadian and international markets. 2010 production rates were impacted by the major plant turnaround that took place in September and most of October.

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 more than 2,000 km of pipeline and are capable of transporting up to 710 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 Husky's Upgrader and asphalt refinery in Lloydminster. Blended heavy crude oil from the field and synthetic crude oil from the upgrading operations are transported south to Hardisty, Alberta to a connection with the major export trunk pipelines: Enbridge Pipeline multi-line system, Kinder Morgan Express Pipeline, TransCanada's Keystone Pipeline and the smaller InterPipeline Fund pipeline. 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 Hardisty Terminal, the Enbridge Hardisty Caverns, the Enbridge Athabasca Pipeline and the Talisman Chauvin Pipeline.

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

(mbbls/day)	Years ended December 31,		
	2010	2009	2008
Combined pipeline throughput	512	514	507

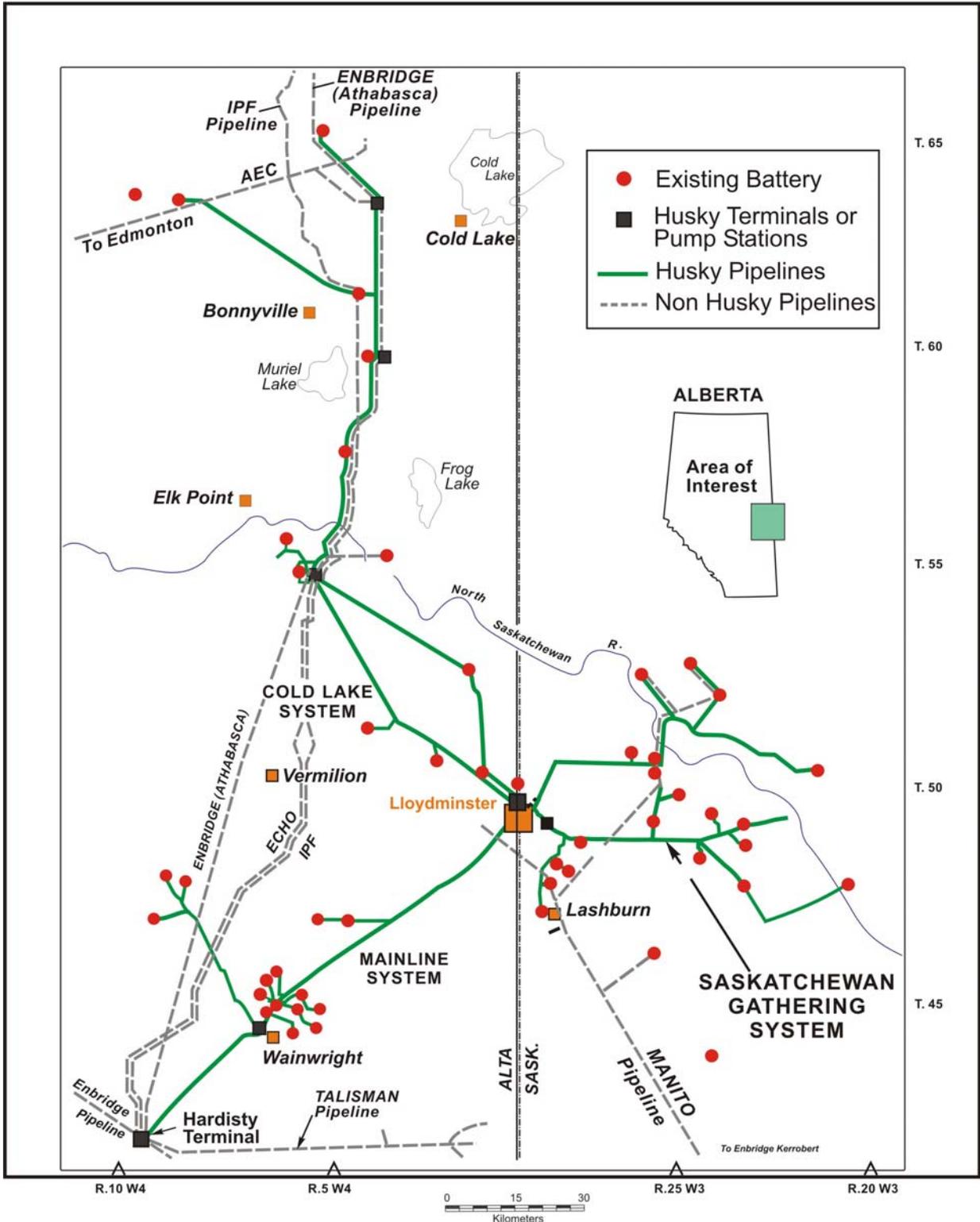
In recent years Husky has incurred a number of expansions on its pipeline system and Hardisty terminal facilities to capitalize on anticipated increases in heavy oil production from the Lloydminster and Cold Lake areas and to service the new incremental take-way capacity from the Keystone pipeline.

Husky considers the expansion and optimization of the pipeline systems in the Lloydminster area necessary to further Husky's development objectives in the area.

Husky's heavy crude oil processing facilities are located throughout the Lloydminster area and are connected to Husky's pipeline system. These facilities process Husky's and other producers' raw heavy crude oil from the field

production by removing sand, water and other impurities to produce clean dry heavy crude oil. There are also third party processing facilities connected to Husky's pipeline. The heavy crude oil is then blended with a diluent to lower both viscosity and density in order to meet pipeline specifications for transportation.

Heavy Oil Pipeline Systems



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In 2010 Husky commenced its pipeline commitment on the Keystone pipeline system which ships Canadian crude oil from Hardisty, Alberta to Patoka, Illinois. This commitment was part of a corporate initiative, agreed in 2006 to expand the market for Husky crude oil into the Midwest. It was further supported through the acquisition of the Lima refinery in 2007, which now enables Husky's Canadian synthetic crude oil production (along with additional third party purchases) to be processed at the refinery.

Due to Husky's ongoing Keystone commitment, Lima refinery now has the option, depending on the economics, to access a significant amount Canadian synthetic crude oil as part of its crude feedstock requirements.

Keystone has also enabled Husky to sell heavy equity crude supply on the Gulf Coast, through interconnecting pipeline systems. This provides the benefits of diversifying Husky's commodity markets and improving our production netback pricing.

During the Enbridge pipeline outages in late 2010, the Keystone pipeline was a major factor in alleviating the shut-in pressures felt by all Canadian producers and ensured Husky avoided any production shut-in and maintained market access for our crude sales.



Cogeneration

Husky holds a 50% interest in a 215 MW natural gas fired cogeneration facility at the site of the Lloydminster Upgrader. TransAlta Cogeneration, L.P. (“TACL P”) is the Husky’s joint venture partner for the cogeneration facility. 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. In February 2011, Husky and TACL P agreed to sell the cogeneration facility to an indirect wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited. Completion of the transaction is subject to consent from Saskatchewan Power Corporation as well as regulatory approval. The transaction is expected to be completed by April 2011.

The Company also holds 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 Electric System Operator 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. ATCO Power is the operator of the facility, and hands-on operator of the Rainbow #5 electricity generator. Husky contract-operates the Rainbow #4 electricity generator, the Once-Through Steam Generator (“OTSG”) and the Water Treatment Plant. All of this equipment constitutes part of the cogeneration facility.

Natural Gas Storage Facilities

Husky has been operating a natural gas storage facility at Hussar, Alberta since April 2000. Husky also operates and has a 50% interest in a natural gas storage facility at East Cantuar near Swift Creek, Saskatchewan. Husky also contracts additional natural gas storage under long-term arrangements. At December 31, 2010, Husky managed a total natural gas storage capacity of approximately 50 bcf. 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 (24.6%), midwestern United States (24.9%), Western Canada (48.2%) and northwestern United States (2.3%). The natural gas sales contracted are primarily at market prices (90%). At December 31, 2010, Husky’s long-term fixed price natural gas sales contracts totalled 63.1 bcf over five years deliverable at the rate of 30% in 2011, 28% in 2012, 18% in 2013, 18% in 2014 and 6% in 2015. 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 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, 2010, Husky estimated commitments of approximately \$199 million in natural gas purchases, 93% of which is to be purchased in 2011. At December 31, 2010, 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 fuel grade ethanol, manufacturing of asphalt products from heavy crude oil, acquisition by purchase and exchange of refined petroleum products. Husky's retail distribution network includes the wholesale, commercial and retail marketing of refined petroleum products and provides a platform for substantial non-fuel related convenience product businesses.

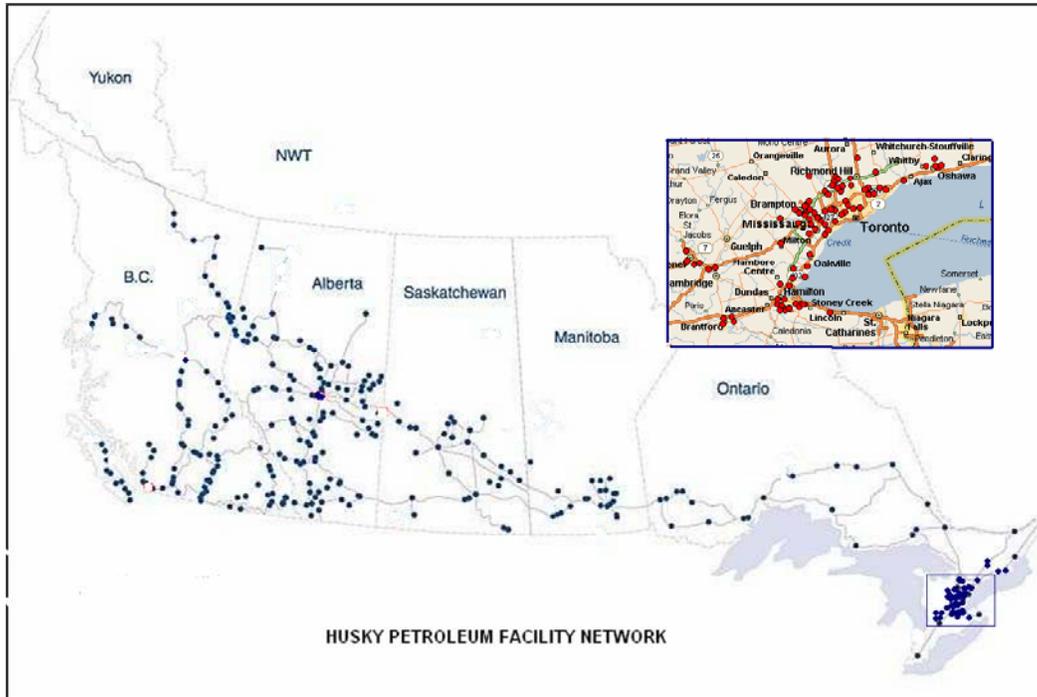
Light oil refined products are produced at the Husky refinery at Prince George, British Columbia and are also acquired from third party refiners and marketed through Husky and Mohawk branded retail and commercial petroleum outlets and through direct marketing to third party dealers and end users. Asphalt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

Branded Petroleum Product Outlets and Commercial Distribution

As of December 31, 2010 there were 555 independently operated Husky- and Mohawk-branded petroleum product outlets. These petroleum product outlets include travel centres, convenience stores, cardlock operations 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 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 electronically processes transactions and provides detailed billing, sales tax and other information. A variety of full- and self-serve retail locations under the Husky and Mohawk 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 is to improve earnings by maximizing the operational efficiencies of its retail and commercial network. Plans include assessing and rationalizing low-performing sites, changes to operating and marketing programs and selectively filling in the network through new independent outlets that will grow per-site throughput and earnings.

In December 2009, Husky completed an agreement to purchase 98 retail stations in Southern Ontario from Suncor. At the end of 2010, Husky had completed rebranding the sites to the Husky brand. The addition of these sites resulted in a 23% increase in Husky's retail sites, a 35% increase in Husky's corporately controlled retail sites, Ontario volume market share growth of 4% (3.5% to 7.7%), an additional 476 million litres/year of gasoline and diesel sales and 8,200 bpd propriety retail demand exposure within 400 miles of the Lima Refinery.



Independent retailers or agents operate all Husky- and Mohawk-branded petroleum product outlets. Retail outlets feature varying services such as convenience stores, service bays, 24-hour service, car washes, Husky House full-service, family-style restaurants, proprietary and co-branded quick-serve restaurants and bank machines. In addition to ethanol-blended gasoline branded as *Mother Nature's Fuel*, Husky offers additive-enhanced *DieselMax* and propane services 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 Husky's sponsorship of Alpine Canada, the Western Hockey League and various university athletics, 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, 2010:

	British Columbia & Yukon	Alberta	Sask.	Manitoba	Ontario	2010 Total	2009 Total
Retail Owned Outlets							
Travel Centres	11	9	4	2	14	40	40
Full Serve	5	11	1	3	18	38	25
Full/Self Serve	19	11	5	11	1	47	50
Self Serve	22	34	3	—	44	103	52
Bulk Distributor	3	7	2	1	—	13	13
Other Service Facilities Distributor	3	5	—	—	1	9	10
	63	77	15	17	78	250	190
Leased							
Travel Centres	—	—	—	—	—	—	1
Full Serve	3	4	3	5	5	20	17
Full/Self Serve	5	15	2	3	1	26	26
Self Serve	34	32	—	—	30	96	67
Bulk Distributor	—	—	1	—	1	2	4
Other Service Facilities Distributor	2	2	—	3	2	9	11
	44	53	6	11	39	153	126
Independent Retailers							
Travel Centres	1	3	—	—	4	8	8
Full Serve	15	3	7	7	5	37	38
Full/Self Serve	12	9	—	1	—	22	24
Self Serve	23	38	8	1	2	72	76
Bulk Distributor	3	4	2	—	—	9	7
Other Service Facilities Distributor	1	2	—	—	1	4	4
	55	59	17	9	12	152	157
Total							
Travel Centres	12	12	4	2	18	48	49
Full Serve	23	18	11	15	28	95	80
Full/Self Serve	36	35	7	15	2	95	100
Self Serve	79	104	11	1	76	271	195
Bulk Distributor	6	11	5	1	1	24	24
Other Service Facilities Distributor	6	9	—	3	4	22	25
	162	189	38	37	129	555	473
Cardlocks ⁽¹⁾	27	30	6	6	23	92	94
Convenience Stores ⁽¹⁾	54	51	16	9	71	201	276
Restaurants	12	13	4	2	17	48	48

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,		
	2010	2009	2008
	(mbbls/day)		
Gasoline	24.9	25.3	25.0
Diesel fuel	25.7	21.8	23.8
Liquefied petroleum gas	0.7	0.8	0.9
	51.3	47.9	49.7

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 ultra low sulphur diesel fuels, 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 and industrial asphalt products. The refinery has a throughput capacity of 29 mbbls/day of heavy crude oil. The refinery also produces straight run gasoline, bulk distillates and residuals. The straight run gasoline stream is removed and re-circulated into the heavy oil pipeline network as pipeline diluent and the distillate stream is used by the Upgrader to make low sulphur diesel. The bulk distillates are hydrogen deficient and are transferred directly to the Upgrader and then treated for blending into the Husky Synthetic Blend stream. Residuals are a blend of medium and light distillate and gas oil streams, which are sold directly to customers typically as drilling and well fracturing fluids or used in asphalt cutbacks and emulsions.

Ethanol Manufacturing

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

Husky's ethanol production supports its "Mother Nature's Fuel" ethanol-blended gasoline marketing program. When added to gasoline, ethanol promotes more complete fuel combustion, 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 2.6 mbbls/day and 1.8 mbbls/day supplied by the Husky Lloydminster Upgrader, Husky has rack based pricing purchase agreements for refined products with all major Canadian refiners. During 2010, Husky purchased approximately 34.7 mbbls/day of refined petroleum products from refiners and acquired approximately 8.1 mbbls/day of refined petroleum products pursuant to exchange agreements with third party refiners. During 2010, Husky also delivered an average of 2.1 mbbls/day of crude oil to be refined under a processing agreement by another refiner, yielding approximately 1.9 mbbls/day of refined petroleum products.

Asphalt Product

Husky produces asphalt and residual products at its 29 mbbls/day asphalt refinery in Lloydminster, Alberta and markets these products to customers across Western Canada, Ontario, Quebec and the United States.

Husky has 38% of the market for asphalt sold in Western Canada. Husky's Pounder Emulsions division has a 55% market share in Western Canada for road application emulsion products. Additional non-asphalt based road maintenance products are also marketed and distributed through Pounder. The Company's sales to the United States and Eastern Canada accounted for 50% of asphalt sales in 2010. Exported asphalt products are shipped as far as Texas, Florida and Quebec. Husky sells in excess of 5 mmbbls of asphalt cements per year.

Husky's asphalt distribution network consists of five emulsion plant/asphalt terminals located at Kamloops, British Columbia; Edmonton and Lethbridge, Alberta; Yorkton, Saskatchewan; and Winnipeg, Manitoba and three emulsion plants located at Watson Lake, Yukon (closed); Lloydminster and Saskatoon, Saskatchewan. Husky also terminals asphalt at its Prince George Refinery and 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 throughput capacity to 29 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 primarily produced at the Lloydminster refinery for the years indicated:

	Years ended December 31,		
	2010	2009	2008
Asphalt	14.9	13.6	13.6
Residual and other	9.2	9.0	10.4
	24.1	22.6	24.0

Refinery throughput averaged 27.8 mbbls/day of blended heavy crude oil feedstock during 2010. 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 increasing storage capacity and developing U.S. 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 expand retail sales by developing retail opportunities, investigating alternate sources of asphalt, maintaining Husky's market position given changes occurring in the market, optimizing the value of the existing business, adjusting the products and product lines to manage resources, and implementing communication mechanisms and supporting systems to enhance organizational effectiveness and achievement of results.

In 2011, Husky will direct its efforts to increasing storage at its Kamloops facility, expanding sales for road stabilization, preservation and recycling, looking at increasing residual sales relative to diluents and bulk distillates to enhance margins, sales of higher quality products with larger margins, implementing safety and reliability improvements and development of new products and improving 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 both light sweet crude oil feedstock sourced from the United States and Africa and since 2010, with the commissioning of the Keystone Pipeline system, Canadian synthetic crudes, including Husky Synthetic Blend ("HSB") produced by the Husky Upgrader. 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 2010 crude oil feedstock throughput averaged 137 mbbls/day. Production of gasoline averaged 72 mbbls/day, middle distillates averaged 50 mbbls/day and other fuel and feedstock averaged 14 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 Energy 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 (nameplate). 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 align with the first two 60 mbbls/day phases of the Sunrise SAGD development. 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.

In 2010, Husky and BP announced the sanction of the Continuous Catalyst Reformer Project at the Toledo, Ohio Refinery. This project will improve the efficiency and competitiveness of the refinery by reducing energy consumption and lowering operating costs with the replacement of two naphtha reformers and one hydrogen plant with a 42,000 bbls/day continuous catalyst regeneration reformer system plant. Project construction formally commenced in August 2010. Anticipated project completion is the fourth quarter of 2012.

During the twelve months ended December 31, 2010, crude oil feedstock throughput averaged 64 mbbls/day (Husky's share). Production of gasoline averaged 40 mbbls/day, middle distillates averaged 18 mbbls/day and other fuel and feedstock averaged 6 mbbls/day.

Human Resources

The number of permanent employees was as follows:

	December 31,		
	2010	2009	2008
	4,380	4,272	4,298

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:

	2010	2009	2008
Dividends per common share	\$ 1.20	\$ 1.20	\$ 1.70

Dividend Policy and Restrictions

The Board of Directors of Husky has established a dividend policy that pays quarterly dividends. The dividend 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 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 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.

In February 2011, Husky's shareholders approved amendments to the common share terms to provide the shareholders with the ability to receive dividends in common shares or cash. Quarterly dividends would be declared in an amount expressed in dollars per common share and would be paid by way of issuance of a fraction of a common share per outstanding common share determined by dividing the dollar amount of the dividend by the volume weighted average trading price of the common shares on the principal stock exchange on which the common shares are traded. The volume weighted average trading price of the common shares would be calculated by dividing the total value by the total volume of common shares traded over the 5 trading day period immediately

prior to the payment date of the dividend on the common shares. A shareholder must deliver to Husky's transfer agent a Stock Dividend Confirmation Notice at least five business days prior to the record date of a declared dividend confirming they will accept the dividend in common shares. Failure to do so will result in such shareholder receiving the dividend paid in cash.

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 receive notice of and to attend all meetings of shareholders, except meetings at which only holders of a specified class or series of shares are entitled to vote, and to one vote per share held. Holders of common shares are also entitled to receive dividends as declared by the Board of Directors on the common shares payable in whole or in part as a stock dividend in fully paid and non-assessable common shares or by the payment of cash and to receive the remaining property of Husky upon dissolution in equal rank with the holders of all other common shares. See "Dividend Policy and Restrictions".

If the directors of Husky declare a dividend on the common shares payable in whole or in part as a stock dividend, shareholders that will accept a payment of future stock dividends declared by the Board of Directors in the form of common shares are required to complete and deliver to Husky's transfer agent a Stock Dividend Confirmation Notice at least five business days prior to the record date of a declared dividend. The Stock Dividend Confirmation Notice permits shareholders to confirm that they will accept common shares as payment of the dividend on all or a stated number of their common shares. A Stock Dividend Confirmation Notice will remain in effect for all stock dividends on the common shares to which it relates and which are held by the shareholder unless the shareholder delivers a revocation notice to Husky's transfer agent, in which case the Stock Dividend Confirmation Notice will not be effective for any dividends having a declaration date that it is more than five business days following receipt of the revocation notice by Husky's transfer agent.

In the event of a shareholder failing to deliver a Stock Dividend Confirmation Notice at least five business days prior to the record date of a declared dividend, or delivering a Stock Dividend Confirmation Notice confirming that the holder of common shares accepts the common shares as payment of the dividend on some but not all of the holder's common shares, the dividend on common shares for which no Stock Dividend Confirmation Notice was delivered, or the dividend on those of the holder's common shares in respect of which the holder did not deliver a Stock Dividend Confirmation Notice, will be paid in cash.

Preferred Shares

Husky is authorized to issue an unlimited number of preferred shares. The preferred shares as a class have attached thereto the rights, privileges, restrictions and conditions set forth below.

The preferred shares may from time to time be issued in one or more series, and the Board of Directors may fix from time to time before such issue the number of preferred shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of preferred shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provision.

The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of Husky, whether voluntary or involuntary, or any other return of capital or distribution of assets of Husky amongst its shareholders for the purpose of winding up its affairs, be entitled to preference over the common shares of Husky and over any other shares of Husky ranking by their terms junior to the preferred shares of that series. The preferred shares of any series may also be given such other preferences over the common shares of Husky and any other such preferred shares.

If any cumulative dividends or amounts payable on the return of capital in respect of a series of preferred shares are not paid in full, all series of preferred shares shall participate ratably in respect of accumulated dividends and return of capital.

Liquidity Summary

The following information relating to Husky's credit ratings is provided as it relates to Husky's financing costs, liquidity and operations. Specifically, credit ratings affect Husky's ability to obtain short-term and long-term financing and the cost of such financing. Additionally, the ability of Husky to engage in certain collateralized business activities on a cost effective basis depends on Husky's credit ratings. A reduction in the current rating on Husky's debt by its rating agencies, particularly a downgrade below investment grade ratings, or a negative change in Husky's ratings outlook could adversely affect Husky's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect Husky's ability to, and the associated costs of, (i) entering into ordinary course derivative or hedging transactions and may require Husky to post additional collateral under certain of its contracts, and (ii) entering into and maintaining ordinary course contracts with customers and suppliers on acceptable terms.

	Rating	Last Review	Last Rating Change
Moody's:			
Outlook	Under Review	December 15, 2010	March 5, 2010
Senior Unsecured Debt	Baa2	March 5, 2010	April 25, 2001
Standard and Poor's:			
Outlook	Stable	November 30, 2010	July 27, 2006
Senior Unsecured Debt	BBB+	November 30, 2010	July 27, 2006
Dominion Bond Rating Service:			
Trend	Stable	November 26, 2009	March 31, 2008
Senior Unsecured Debt	A (low)	November 26, 2009	March 31, 2008

Credit ratings are intended to provide investors with an independent measure of credit quality of any issuer 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.

On December 15, 2010 Moody's placed Husky Energy Inc.'s Baa2 senior unsecured rating and Ba1 junior subordinated rating on review for a possible downgrade. At this time the outcome of the review is not yet determined.

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 A category are considered to be of satisfactory 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, 2010:

	High	Low	Volume (000's)
January	30.88	26.46	21,328
February	27.84	26.82	29,013
March	29.22	28.31	30,003
April	30.70	28.61	20,473
May	29.06	25.37	29,108
June	27.30	25.13	22,809
July	27.10	24.87	17,517
August	26.06	24.21	25,287
September	26.14	24.95	21,938
October	25.81	24.97	21,892
November	26.37	24.44	31,382
December	26.58	24.41	23,607

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. Each director will hold office until the Company's next annual general meeting, or until his or her successor is appointed or elected.

Directors

Name & Residence	Officer or Position	Principal Occupation During Past 5 Years
Li, Victor T.K. Hong Kong	Director and Co-Chair Director of Husky Energy Inc. since 2000	<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 company) and of CK Life Sciences Int'l., (Holdings) Inc. (a biotechnology company); Executive Director of Power Assets Holding Limited (formerly 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 and the Council for Sustainable Development of the Hong Kong Special Administrative Region, and Vice Chairman of the Hong Kong General Chamber of Commerce and was a member of the Greater Pearl River Delta Business Council for the Hong Kong Special Administrative Region. Mr. Li is also the Honorary Consul of Barbados in Hong Kong.</p> <p>Mr. Li holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Structural Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D).</p>
Fok, Canning K.N. Hong Kong	Director, Co-Chair and Chair of the Compensation Committee Director of Husky Energy Inc. since 2000	<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 Hong Kong Holdings</p>

		<p>Limited (a telecommunications company), Hutchison Telecommunications (Australia) Limited (a telecommunications company), and Power Assets Holdings Limited (formerly Hongkong Electric Holdings Limited (a holding company), a director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, and a director of Cheung Kong (Holdings) Limited. Mr. Fok was also a director of Hanny Holdings Limited from 2002-2006, Panvas Gas Holdings Limited from 2002 to 2006, Partner Communications Company from 1998 to 2009 and Chairman and a director of Hutchison Telecommunications International Limited from 2005 to 2010.</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>
Bradley, Stephen Hong Kong	Director Director of Husky Energy Inc. since July 2010	<p>Mr. Bradley is a director of Broadlea Group Ltd., Senior Representative (China), Grosvenor Ltd., Vice Chairman, ICAP (Asia Pacific) and a director of Swire Properties Ltd. and Special Advisor to the Chief Executive Officer of Rio Tinto Ltd.</p> <p>Mr. Bradley entered the Foreign and Commonwealth Office in 1981 and served in various capacities including Director of Trade & Investment Promotions (Paris) from 1999 to 2002; Minister, DHM & Consul-General (Beijing) from 2002 to 2003 and HM Consul-General (Hong Kong) from 2003 to 2008. Mr. Bradley retired from the HM Diplomatic Service in 2009.</p>
Fullerton, R. Donald Ontario, Canada	Director and Chair of the Audit Committee Director of Husky Energy Inc. since 2003	<p>Mr. Fullerton is a director of the Li Ka Shing (Canada) Foundation and 3 Italia S.p.A.</p> <p>During his career Mr. Fullerton has served as a director of a number of public and private companies both domestic and international including Asia Satellite Telecommunications Holdings Limited from 1996 to 2006; George Weston Limited (a holding company) from 1991 to 2005; Partner Communications Company Ltd. from 2003 to 2005; and CIBC from 1974 to 2004.</p> <p>Mr. Fullerton holds a Bachelor of Arts degree.</p>
Ghosh, Asim Alberta, Canada	Director, President and Chief Executive Officer Director of Husky Energy Inc. since May 2009	<p>Mr. Ghosh was appointed the President and Chief Executive Officer of Husky Energy Inc. on June 1, 2010. Prior thereto Mr. Ghosh was the Managing Director and Chief Executive Officer of Vodafone Essar Limited (a</p>

telecommunications company) until March 2009.

Mr. Ghosh began his career with Procter & Gamble in Canada in 1971 and subsequently worked with Rothmans International in what was then its Carling O'Keefe subsidiary from 1980 to 1988, his last position being Senior Vice President of the brewery operations. In 1989, Mr. Ghosh moved to India as the Chief Executive Officer of the Pepsi Foods (Frito Lay) start up in India. From 1991 to 1998 he held senior executive positions and then the position of Chief Executive Officer of the A S Watson Industries subsidiary (a manufacturer of consumer goods) of Hutchison Whampoa Limited. In August 1998, he became Managing Director and Chief Executive Officer of the company that would become Vodafone Essar Limited.

Mr. Ghosh obtained an undergraduate degree in Electrical Engineering from the Indian Institute of Technology in 1969 and an MBA from the Wharton School, University of Pennsylvania in 1971.

Mr. Ghosh was Chairman of the Cellular Operators Association of India and the National Telecom Committee of the Confederation of Indian Industries. He is an independent director of Kotak Mahindra Bank Limited, a listed Bank in India, and was on the Board of Directors of Vodafone Essar Limited until February 2010.

Glynn, Martin J.G.
British Columbia,
Canada

Director, Chair of the Corporate Governance Committee and a Member of the Compensation Committee
Director of Husky Energy Inc. since 2000

Mr. Glynn is a director of Hathor Exploration Limited (a mining exploration company), VinaCapital Vietnam Opportunity Fund Limited (an investment fund), MF Global Holdings Ltd. (a futures and options broker), Sun Life Financial Inc. and Sun Life Assurance Company of Canada.

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.

Mr. Glynn holds a Bachelor of Arts, Honours degree and a Masters degree in Business Administration.

Koh, Poh Chan Hong Kong	Director Director of Husky Energy Inc. since 2000	Ms. Koh is Finance Director, Harbour Plaza Hotel Management (International) Ltd. (a hotel management company). 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.
Kwok, Eva L. British Columbia, Canada	Director, Member of the Compensation Committee and the Corporate Governance Committee Director of Husky Energy Inc. since 2000	Mrs. Kwok is Chairman, a director and Chief Executive Officer of Amara Holdings Inc. (a private investment holding company). 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. Mrs. Kwok was a Director of Shoppers Drug Mart Corporation from 2004 to 2006 and of the Bank of Montreal Group of Companies until March, 2009.
Kwok, Stanley T.L. British Columbia, Canada	Director and Chair of the Health, Safety and Environment Committee Director of Husky Energy Inc. since 2000	Mrs. Kwok holds a Masters degree in Science. Mr. Kwok is a director and President of Stanley Kwok Consultants (an architecture, planning and development company). Mr. Kwok is also a director and President of Amara Holding Inc. and a director of Cheung Kong (Holdings) Limited. Mr. Kwok holds a Bachelor of Science degree (Architecture) and an A.A. Diploma from the Architectural Association School of Architecture in London (England).
Ma, Frederick S. H. Hong Kong	Director and Member of the Audit Committee and the Health, Safety and Environment Committee Director of Husky Energy Inc. since July 2010	Mr. Ma has held senior management positions in international financial institutions and Hong Kong publicly listed companies in his career. In July 2002, he joined the Government of the Hong Kong Special Administrative Region as the Secretary for Financial Services and the Treasury. He assumed the post of Secretary for Commerce and Economic Development in July 2007. In October 2008, he was appointed an Honorary Professor of the School of Economics and Finance at the University of Hong Kong. In July 2009, he was appointed as a Member of the International Advisory Council of China Investment Corporation. He is the Chairman and Non-Executive Director of China Strategic

		Holdings Limited, a Hong Kong listed company.
		Mr. Ma graduated from the University of Hong Kong with a Bachelor of Arts (Honours) degree in economics and history.
Magnus, George C. Hong Kong	Director and Member of the Audit Committee Director of Husky Energy Inc. since July 2010	Mr. Magnus acted as an Executive Director of Cheung Kong (Holdings) Limited from 1980 and Deputy Chairman of Cheung Kong (Holdings) Limited from 1985 until his retirement from these positions in October 2005. He has been a non-executive Director of Cheung Kong (Holdings) Limited since November 2005. He is also a Non-executive Director of Hutchison Whampoa Limited, Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited (formerly Hongkong Electric Holdings Limited), all listed companies.
		Mr. Magnus holds a Master's degree in Economics.
Russel, Colin S. Gloucestershire, United Kingdom	Director, Member of the Audit Committee and the Health, Safety and Environment Committee Director of Husky Energy Inc. since 2008	Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd. (a business advisory company). Mr. Russel is a director of Cheung Kong Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and ARA Asset Management Pte. Ltd.
		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.
Shaw, Wayne E. Ontario, Canada	Director, Member of the Corporate Governance Committee and the Health, Safety and Environment Committee Director of Husky Energy Inc. since 2000	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. Mr. Shaw holds a Bachelor of Arts degree and a Bachelor of Laws degree.
Shurniak, William Saskatchewan, Canada	Director, Deputy Chair and Member of the Audit Committee Director of Husky Energy Inc. since 2000	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). 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.

Mr. Shurniak holds an Honorary Doctor of Laws degree from the University of Saskatchewan and from The University of Western Ontario and in 2009 he was awarded the Saskatchewan Order of Merit.

Sixt, Frank J.
Hong Kong

Director & Member of the
Compensation Committee
Director of Husky Energy Inc. since
2000

Mr. Sixt is Group Finance Director and Executive Director of Hutchison Whampoa Limited.

Mr. Sixt is also the Non-executive Chairman and a director of TOM Group Limited; Executive Director of Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited (formerly Hongkong Electric Holdings Limited); a director of Cheung Kong (Holdings) Limited (an investment holding company); Hutchison Telecommunications 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

Name and Residence	Office or Position	Principal Occupation During Past 5 Years
Cowan, Alistair 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	Chief Operating Officer of Husky since January 2006. Prior to joining Husky, Mr. Peabody held the following positions with BP: 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.
Lau, John C.S. Hong Kong	President and Chief Executive Officer, Asia Pacific	President and Chief Executive Officer, Asia Pacific since May 2010 when he stepped down as Chief Executive Officer of Husky Energy Inc. after 18 years in the position. Prior to joining Husky, Mr. Lau served in various senior executive roles in Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited group of companies.

As at February 15, 2011, the directors and officers of Husky, as a group, beneficially owned or controlled or directed, directly or indirectly, 580,113 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 such person was 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 as follows. Eva Kwok was a director of Air Canada in 2003 at the time it became subject to creditor protection under the *Companies Creditors Arrangement Act* (Canada). Until April 12, 2002, Frank Sixt was a director 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 become 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 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), W. Shurniak, C.S. Russel, F.S.H. Ma and G.C. Magnus. 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 Mandate 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.

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.

F.S.H. Ma — Mr. Ma has served in senior positions in the private sector and had held Principal Official positions (minister equivalent) with the Hong Kong SAR Government. Mr. Ma is currently a member of the International Advisory Council of China Investment Corporation, China's Sovereign Fund as well as an Honorary Professor of the University of Hong Kong.

G.C. Magnus — Mr. Magnus has been a Non-executive Director of Cheung Kong (Holdings) Limited since November 2005. He is also a Non-executive Director of Hutchison Whampoa Limited, Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited.

Husky's Audit Committee Mandate 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:

	Aggregate fees billed by the External Auditor	
	2010	2009
	(\$ thousands)	
Audit fees	2,745	2,278
Audit-related fees	873	639
Tax fees	126	51
All other fees	—	132
	3,744	3,100

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 2010.

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.

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, 2010 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.

KPMG LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and within the meaning of the U.S. Securities Act of 1933 and the applicable rules and regulations thereunder adopted by the Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States).

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 prepared in connection with the annual meeting of shareholders to be held on April 27, 2011.

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, 2010.

Additional information relating to Husky Energy Inc. is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

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
bpd	-barrels per day
bopd	-barrels of oil per day
mbbls/day	-thousand barrels per calendar day
boe	-barrels of oil equivalent
mboe	-thousand barrels of oil equivalent
mmbboe	-million barrels of oil equivalent
boe/day	-barrels of oil equivalent per calendar day
mboe/day	-thousand barrels of oil equivalent per day
bps	-basis points
m	-metres
mcf	-thousand cubic feet
mmcf	-million cubic feet
bcf	-billion cubic feet
tcf	-trillion cubic feet
tcf _e	-trillion cube feet equivalent
mmcf/day	-million cubic feet per calendar day
mcfge	-thousand cubic feet of gas equivalent
lt	-long ton
mlt	-thousand long tons
mmlt	-million long tons
lt/day	-long tons per calendar day
mlt/day	-thousand long tons per calendar day
mmbtu	-million British thermal units
km	-kilometres
sq km	-square kilometres
CO ₂ E	-carbon dioxide equivalent
MW	-megawatts
GJ	-gigajoule

Acronyms

API	-American Petroleum Institute
ASP	-alkaline surfactant polymer
CDOR	-Certificate of Deposit Offered Rate
CHOPS	-cold heavy oil production with sand
CNOOC	-China National Offshore Oil Corporation
COGEH	-Canadian Oil and Gas Evaluation Handbook
EIA	-Energy Information Administration
EL	-Exploration Licence
EOR	-enhanced oil recovery
ERCB	-Energy Resources Conservation Board
FAS	-Financial Accounting Statement
FASB	-Financial Accounting Standards Board
FEED	-front end engineering design
FPSO	-Floating production, storage and offloading vessel

GAAP	-Generally Accepted Accounting Principles
LIBOR	-London Interbank Offered Rate
LLB	-Lloydminster Blend
MD&A	-Management's Discussion and Analysis
NGL	-Natural gas liquids
NIT	-NOVA Inventory Transfer
NWT	-Northwest Territories
NYMEX	-New York Mercantile Exchange
OPEC	-Organization of Petroleum Exporting Countries
PIIP	-Petroleum initially-in-place
PSC	-Production Sharing Contract
SAGD	-Steam assisted gravity drainage
SDL	-Significant Discovery Licence
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

Bitumen is solid or semi-solid with a viscosity greater than 10,000 centipoise at original temperature in the deposit and atmospheric pressure.

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 (CH₄). 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 a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, a service well, an extension well, or a stratigraphic test well as those items are defined herein.

Extension well

A well drilled to extend the limits of a known reservoir.

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.

Heavy crude oil

Crude oil measured between 20 API° and 10 API° and is liquid at original temperature in the deposit and atmospheric pressure.

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.

Light crude oil

Crude oil measured at 30 API° or lighter.

Liquefied petroleum gas

Liquefied propanes and butanes, separately or in mixtures.

Medium crude oil

Crude oil measured between 20 API° and 30 API°.

Metocean 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 therefrom 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 subsurface 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 within the meaning of 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 and forward-looking information within the meaning of applicable Canadian securities legislation (collectively “forward-looking statements”). 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, 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.

In particular, forward-looking statements in this Annual Information Form include, but are not limited to: the Company’s general strategic plans and growth opportunities; the Company’s 2011 capital program; trends affecting the oil and gas industry in Canada; the anticipated effect of costs incurred for environmental protection to Husky’s financial condition and results of operations in the long term; planned expenditures on environmental upgrades and remediation in 2011; reserve and resource estimates; discounted future net cash flows relating to proved oil and gas reserves; future capital expenditures required to gain access to proved undeveloped reserves; sources of funding for future development costs; abandonment and reclamation costs; anticipated effects of asset acquisitions on the Company’s reserves, production and results of operations; anticipated timing and effect of closing of the sale of the Meridian cogeneration facility; production estimates for the year ended December 31, 2011; testing and implementation of enhanced recovery and ASP injection techniques; development plans at the Company’s McMullen field; exploration, development and production plans for the Company’s assets in Western Canada, the oil sands, Southeast Asia and the Atlantic Region; drilling plans at the Company’s properties in Western Canada, the oil sands, Southeast Asia and the Atlantic Region; anticipated project costs, development plans and production capacity for the Sunrise Energy Project; exploration, drilling and SAGD pilot project plans for the Company’s undeveloped oil sands assets; exploration, development and production plans for the White Rose oil field; anticipated effects of the Terra Nova redetermination on the Company’s reserves; drilling plans at Terra Nova; growth opportunities in the offshore Canadian East Coast area; seismic acquisition and exploration plans for Canada’s East Coast and offshore Greenland; interpretation of seismic results from the Columbia River Basin;

expected timing and volumes of production in Western Canada, the oil sands, the Atlantic Region and in South East Asia; development and production plans for the Liwan discovery; seismic acquisitions, delineation drilling and exploration plans for the South China Sea and the East China Sea; drilling plans for the North Sumbawa II block; development and production plans for the Madura BD field; future delivery commitments of natural gas; plans and expected effects of expanding the Company's commodity marketing operations; planned expansion of the Company's heavy crude pipeline system; evaluation of additional storage opportunities in Western Canada; strategies to improve earnings in Husky's downstream business; the Company's strategy to grow its asphalt marketing business and plans to capture value through various business opportunities; planned upgrades at the Company's Lima, Toledo, and Lloydminster facilities; the Company's dividend strategy; and effects of changes in the Company's credit ratings.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this Annual Information Form are reasonable, Husky'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 Husky 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 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 Husky operates;
- 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 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 exploration, development, production, processing or transportation;
- continuing availability of economical capital resources;
- demand for products and cost of operations;
- no significant adverse legislative and regulatory changes, in particular changes to the legislation and regulation governing fiscal regimes and environmental issues;
- stability of general domestic and global economic, market and business conditions; and
- no significant increase in the cost of 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 Husky's control, that could influence actual results include, but are not limited to:

- the demand for Husky's products and prices received for crude oil and natural gas production and refined petroleum products;
- the economic conditions of the markets in which Husky conducts business;
- the exchange rate between the Canadian and U.S. dollar;
- the ability to replace 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 that may impose operating costs or restrictions in the jurisdictions where the Company has operations;
- prevailing climatic conditions in the Company's operating locations;
- changes to royalty regimes;
- regulations to deal with climate change issues;
- changes to government fiscal, monetary and other financial policies;
- the competitive actions of other companies, including increased competition from other oil and gas companies;
- business interruptions because of unexpected events such as fires, blowouts, freeze-ups, equipment failures and other similar events affecting Husky or other parties whose operations or assets directly or indirectly affect Husky and that may or may not be financially recoverable;
- the inability to obtain regulatory approvals to operate existing properties or develop significant growth projects;
- the inability to reach estimated production levels from existing and future oil and gas development projects as a result of technological or commercial difficulties or other risk factors;
- 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 the "Management's Discussion and Analysis," available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

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 Mandate

Purpose

The Audit Committee (the "Committee") is a committee of the Board of Directors (the "Board") of Husky Energy Inc. (the "Corporation"). The Committee's primary function is to assist the Board in carrying out its responsibilities with respect to:

1. the quarterly and annual financial statements and quarterly and annual MD&A, which are to be provided to shareholders and the appropriate regulatory agencies;
2. earnings press releases before the Corporation publicly discloses this information;
3. the system of internal controls that management has established;
4. the internal and external audit process;
5. The appointment of external auditors;
6. the appointment of qualified reserves evaluators or auditors;
7. the filing of statements and reports with respect to the Corporation's oil and gas reserves; and
8. the identification, management and mitigation of major financial risk exposures of the Corporation.

In addition, the Committee provides an avenue for communication between the Board and each of the Chief Financial Officer of the Corporation and other senior financial management, internal audit, the external auditors, external qualified reserves evaluators or auditors and internal qualified reserves evaluators. It is expected that the Committee will 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.

While the Committee has the responsibilities and powers set forth in this Mandate, the role of the Committee is oversight. The members of the Committee are not full time employees of the Corporation 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 Committee to plan or conduct financial audits or reserve audits or evaluations, or to determine that the Corporation's financial statements are complete, accurate and are in accordance with applicable accounting or reserve 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 will also have the responsibility to conduct investigations and to assure compliance with laws and regulations and the Corporation's business conduct guidelines.

Composition

The Committee will consist of not less than three directors, all of whom will be independent and will satisfy the financial literacy requirements of securities regulatory requirements.

One of the members of the Committee will be an audit committee financial expert as defined in applicable securities regulatory requirements.

Members of the Committee will be appointed annually at a meeting of the Board, on the recommendation of the Corporate Governance Committee to the Co-Chairs of the Board and will be listed in the annual report to shareholders.

Committee members may be removed or replaced at any time by the Board, and will, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

The Committee Chair will be appointed by the Board, on the recommendation of the Corporate Governance Committee to the Co-Chairs of the Board.

Meetings

The Committee will meet at least four times annually on dates determined by the Chair OR at the call of the Chair or any other Committee member, and as many additional times as the Committee deems necessary.

Committee members will strive to be present at all meetings either in person, by telephone or other communications facilities as permit all persons participating in the meeting to hear each other.

A majority of Committee members, present in person, by telephone, or by other permissible communication facilities will constitute a quorum.

The Committee will appoint a secretary, who need not be a member of the Committee, or a director of the Corporation. The secretary will keep minutes of the meetings of the Committee. Minutes will be sent to all Committee members, on a timely basis.

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.

As necessary or desirable, but in any case at least annually, the Committee will meet the management and representatives of the external reserves 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.

Authority

Subject to any prior specific directive by 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 Corporation and the reporting of the Corporation's reserves and oil and gas activities.

The Committee has the authority to engage and set the compensation of independent counsel and other advisors, at the Corporation's expense, as it determines necessary to carry out its duties.

In recognition of the fact that the external auditors are ultimately accountable to the Committee, the Committee will have the authority and responsibility to recommend to the Board the external auditors that will be proposed for nomination at the annual general meeting. The external auditors will report directly to the Committee, and the Committee will evaluate and, where appropriate, replace the external auditors. The Committee will approve the fees and terms for all audit engagement and all non-audit engagements with the external auditors. The Committee will consult with management and the internal audit group regarding the engagement of the external auditors but will not delegate these responsibilities.

The external qualified reserves evaluators or auditors will report directly to the Committee, and the Committee will evaluate and, where appropriate, replace the external qualified reserves evaluators or auditors. The Committee will approve the fees and terms for all reserves evaluators or audit engagements. The Committee will consult with management and the internal qualified reserves evaluators group regarding the engagement of the external qualified reserves evaluators or auditors but will not delegate these responsibilities.

Specific Duties & Responsibilities

The Committee will have the oversight responsibilities and specific duties as described below.

Audit

1. Review and reassess the adequacy of this Mandate annually and recommend any proposed changes to the Corporate Governance Committee and the Board for approval.
2. Review with the Corporation's management, internal audit and the external auditors and recommend to the Board for approval the Corporation's annual financial statements and annual MD&A which is to be provided to shareholders and the appropriate regulatory agencies and any financial statement contained in a prospectus, information circular, registration statement or other similar document.
3. Review with the Corporation's management, internal audit and the external auditors and approve the Corporation's quarterly financial statements and quarterly MD&A which is to be provided to shareholders and the appropriate regulatory agencies.
4. Review with the Corporation's management and approve earnings press releases before the Corporation publicly discloses this information.
5. Be responsible for the oversight of the work of the external auditors, including the resolution of disagreements between management of the Corporation and the external auditors regarding financial reporting.

6. Review with the Corporation's management, internal audit and the external auditors the Corporation's accounting and financial reporting controls and obtain annually, in writing from the external auditors their observations, if any, on material weaknesses in internal controls over financial reporting as noted during the course of their work.
7. Review with the Corporation's management, internal audit and the external auditors significant accounting and reporting principles, practices and procedures applied by the Corporation in preparing its financial statements, and discuss with the external auditors their judgments about the quality (not just the acceptability) of the Corporation'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 audit and how management is addressing the conditions reported.
9. Review the scope and general extent of the external auditors' annual audit, such review to include an explanation from the external auditors of the factors considered in determining the audit scope, including the major risk factors, and the external auditors confirmation 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 Corporation as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
11. Arrange with the external auditors that (a) they will advise the Committee, through its Chair and management of the Corporation, of any matters identified through procedures followed for the review of interim quarterly financial statements of the Corporation, such notification is to be made prior to the related press release and (b), for written confirmation 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. Review at the completion of the annual audit, with senior management, internal audit and the external auditors the following:
 - i. the annual financial statements and related footnotes and financial information to be included in the Corporation's annual report to shareholders;
 - ii. 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;
 - iii. significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit;
 - iv. inquire about the cooperation received by the external auditors during their audit, including access to all requested records, data and information; and
 - v. 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 Corporation's financial statements.
13. Discuss (a) with the external auditors, without management being present, (i) the quality of the Corporation's financial and accounting personnel, and (ii) the completeness and accuracy of the Corporation's financial statements, and (b) elicit the comments of senior management regarding the responsiveness of the external auditors to the Corporation'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) and review the responses of management to the Letter of Comments and Recommendations and receive follow-up reports on action taken concerning the aforementioned recommendations.
15. Review and approve disclosures required to be included in periodic reports filed with Canadian and U.S. securities regulators with respect to non-audit services performed by the external auditors.
16. Establish adequate procedures for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation'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 Corporation regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
18. Review and approve the Corporation'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 Corporation's policies with respect to unethical or illegal activities by the Corporation's employees that may have a material impact on the financial statements or other reporting of the Corporation.
21. Reviewing generally, as part of the review of the annual financial statements, a report, from the Corporation's general counsel concerning legal, regulatory and compliance matters that may have a material impact on the financial statements or other reporting of the Corporation.
22. Review and discuss with management, on a regular basis, the identification, management and mitigation of major financial risk exposures across the Corporation.

Reserves

23. Review, with reasonable frequency, the Corporation's procedures relating to the disclosure of information with respect to the Corporation's oil and gas reserves, including the Corporation's procedures for complying with the disclosure requirements and restrictions of applicable regulatory requirements.
24. Review with management the appointment of the 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 management and the appointed external qualified reserves evaluators or auditors.
25. Review, with reasonable frequency, the Corporation'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 regulatory requirements.
26. Meet, before the approval and release of the Corporation's reserves data and the report of the qualified reserve evaluators or auditors thereon, with senior 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 or auditors.
27. Recommend to the Board for approval the content and filing of required statements and reports relating to the Corporation's disclosure of reserves data as prescribed by applicable regulatory requirements.

Miscellaneous

28. Review and approve (a) any change or waiver in the Corporation's Code of Business Conduct for the President and Chief Executive Officer and senior financial officers and (b) any public disclosure made regarding such change or waiver and, if satisfied, refer the matter to the Board for approval.
29. Act in an advisory capacity to the Board.
30. Carry out such other responsibilities as the Board may, from time to time, set forth.
31. Advise and report to the Co-Chairs of the Board and the Board, relative to the duties and responsibilities set out above, from time to time, and in such details as is reasonably appropriate.

Effective Date: November 20, 2010

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 reserves data as at December 31, 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.
2. The reserves data are the responsibility of Husky's management. As the Internal Qualified Reserves Evaluator 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.

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 "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society). Our internal reserves evaluators are not independent of Husky, within the meaning of the term "independent" under those standards.

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with the principles and definitions presented in the COGE Handbook.
4. The following table sets forth the evaluated estimated future net revenue (before deducting income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of Husky evaluated for the year ended December 31, 2010 and reported to the Audit Committee of the Board of Directors:

<u>Location of Reserves</u>	<u>Discounted Future Net Cash Flows before income taxes, 10% discount rate</u>
	(\$ millions)
Canada	23,356
China	579
Indonesia	203
Libya	<u>11</u>
	<u>24,150</u>

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined in accordance with the principles and definitions presented in the COGE Handbook.
6. We have no responsibility to update our evaluation for events and circumstances occurring after the date of this report.
7. Because, the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Calgary, Alberta
February 7, 2011

/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 Husky’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

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 NI 51-101. 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 Husky’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 Husky’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 oil and gas reserve 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 reserve 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.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

/s/ Asim Ghosh March 8, 2011
Asim Ghosh
President & Chief Executive Officer

/s/ James D. Girgulis March 8, 2011
James D. Girgulis
Vice President, Legal & Corporate Secretary

/s/ R. Donald Fullerton March 8, 2011
R. Donald Fullerton
Director

/s/ William Shurniak March 8, 2011
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 net present value of these reserves of Husky Energy Inc., as at December 31, 2010. The Company's detailed reserves information were provided to us for this audit. Our responsibility is to express an independent opinion on the reserves and the respective present worth value estimates, in the aggregate, based on our audit tests and procedures.

We conducted our audit in accordance with generally accepted audit standards as recommended by the Society of Petroleum Engineers and as recommended in the Canadian Oil and Gas Evaluation Handbook (COGEH) Volume 1 Section 12. 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 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 a sufficient number of the Company's properties as considered necessary in order 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 as set out in the Canadian Oil and Gas Evaluation Handbook.

Sincerely,

McDaniel & Associates Consultants Ltd.

/s/ B. J. Wurster, P. Eng.
B. J. Wurster, P. Eng.
Vice President

Calgary, Alberta
January 25, 2011