HUSKY ENERGY

Q4 2013 CONFERENCE CALL & WEBCAST TRANSCRIPT

Date: **Wednesday, February 12, 2014**

Time: **9:00 AM MT**

Speakers:

Asim Ghosh
President & Chief Executive Officer

Alister Cowan
Chief Financial Officer

Robert Peabody
Chief Operating Officer

Dan Cuthbertson
Manager, Investor Relations

Bob Baird
Sr. VP, Downstream

OPERATOR:

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

DAN CUTHBERTSON:

Good morning and thanks for joining us for our fourth quarter and year end results. With me today are CEO, Asim Ghosh; COO, Rob Peabody; and CFO, Alister Cowan, as well as Bob Baird, the Senior VP of our Downstream business. We will give an overview of our 2013 results and fourth quarter performance, and then we will take you—take your questions.

A reminder that our comments today will contain forward-looking information. Actual results may differ materially from expected results because of various risk factors and assumptions that are outlined in our quarterly release and in our annual filings. These are available on SEDAR, EDGAR and our website.

I will now turn the call over to Asim.

ASIM GHOSH:

Thanks Dan, and good morning, everybody. It's been another year of execution at—steady execution, I should say, at Husky as we continue to transform our Foundation business and advance two major growth projects towards first production. In an industry that's been riding out some challenging market conditions over the past few years, we have stayed on course through much of that period and, indeed, through the year in 2013.

A look at our top level numbers for the year. Our cash flow rose to $5.2 billion, up from $5 billion in 2012. Our net earnings were at $1.8 billion compared to $2 billion last year. This reflects a non-cash impairment charge of $204 million after tax, which was associated with some dry gas assets at Western Canada. Net earnings from operations of $2 billion were comparable to last year. Upstream production was within guidance for the third consecutive year at 312,000 barrels a day, an increase from 302,000 barrels a day a year ago and finally, our reserves growth continued to outpace production yet again in 2013, with an average proved reserves replacement ratio 166% excluding economic factors. Alister, as usual, will provide the details of our quarterly results in his section, but let me give you some operational highlights.

I'll start with our Foundation business. Heavy oil is undergoing a transformation thanks to a suite of attractive thermal projects. We have just achieved first oil at the 3,500 barrels a day thermal project at Sandall and this follows closely on the heels of the sanctioning of two new 10,000 barrels per day projects at Edam East and Vawn. Rush Lake is on deck for production in the second half of 2015. Our total heavy oil production reached nearly 112,000 barrels a day and more than 37,000 barrels per day of that was delivered by thermal projects, and as a result of these new projects and the reliability of our existing developments, we have bumped our heavy oil thermal production target of 55,000 barrels a day ahead from the old target of 2017 to the new target of 2016.

Looking at Western Canada; this business is undergoing its own transformation, although at a more measured pace than heavy oil, as we identify and advance our more prospective liquids-rich gas and oil resource plays. Rob will tell you more about the progress that we've made and some of the success we've had in improving efficiency and lowering costs in his section.

In our Downstream business; targeted investments are improving the reliability of throughputs by increasing the flexibility of our feedstocks, product range and market access, and these are helping us capture world prices for our Western Canada crude oil production. To this end, we recently sanctioned heavy crude flexibility project with the Lima refinery which, for an investment of around $300 million, will upgrade an existing coker and other equipment. So staring in 2017, the refinery will have the flexibility to process up to 40,000 barrels of oil per day from our Western Canada heavy oil fields. In addition, a new kero-hydrotreater at Lima came online last spring. This equipment is increasing both our distillate capacity and our ability to shrink production between diesel and jet fuels, which are both higher value products than gasoline.

Moving on to our growth pillars; the Liwan Project is currently being commissioned, yes, and you recollect this is the biggest project that Husky's ever undertaken. It was a long and active typhoon season in the South China Sea, so we had to wait on weather for many weeks to install the final sub-sea equipment. You may have heard the saying that a pessimist complains about the wind, an optimist expects it to change but a realist adjusts the sails, so we took the realist part and worked our way around the conditions, and needless to say, it was a great way to bring in the new year well the weather finally settled down enough for us to lay the final sub-sea pipe spools.

Turning to our oil sands business; Sunrise is now at 85% complete. Commissioning's underway on six of the eight well pads and the rest of the field facilities are nearing completion. The central plant is more than three quarters completed. We've activated the main power line to the plant and are completing the main electrical instrumentation work. As we've mentioned earlier, start-up of the first phase of Sunrise is expected in the second half of this year. The bitumen from that will be heading south to our partner-operated refinery in Toledo, Ohio for the processing.

In the Atlantic region, we've had a productive year offshore in Newfoundland. While our two big exploration discoveries at Harpoon and Bay du Nord made the biggest splash in the headlines, we've actually made great progress also in advancing a satellite development. Our progress in the Jeanne d'Arc Basin at North Amethyst, South White Rose and West White Rose are proceeding as planned. On the Flemish Pass front, we have secured a rig with our partner to accelerate appraisal plans for the Bay du Nord, Harpoon and Mizzen discoveries and appraisal drilling is planned for this fall. We'll also be doing some seismic in the Bay du Nord areas in late spring. I'll note that our partner commented last week that Bay du Nord was the world's largest oil discovery in 2013.

So, to wrap up, we've delivered the third year of solid results since we first laid out our strategic plan at the end of 2010 and on that note, let me turn you over to Alister, who will provide you an update on our fourth quarter financial performance. Alister?

ALISTER COWAN:

Thanks, Asim. Net earnings were $177 million for the quarter and that reflects the non-cash after-tax impairment charge of $204 million due to the lower (inaudible 7:07) natural gas price assumptions on the Western Canada dry gas properties that Asim mentioned. Excluding the impairment, net operating earnings were $381 million. Now, the big difference in net operating earnings compared to a year ago was in lower US Downstream results, and I'll give you some more detail on that later.

Cash flow in the quarter was $1.1 billion, down approximately $270 million from a year ago, reflecting the lower US Downstream results and the higher contracts expense. Some big factors affecting our quarterly results included pricing impacts from significantly lower market crack spreads in the US and wider differentials for Western Canada liquids production which, due to normal pipeline transit timing lags, were not yet offset with better margins in Downstream. In addition, there were production impacts in the quarter from a decrease in Atlantic region production, which was affected by the off-station of the partner-operated Terra Nova FPSO to repair the mooring chain and ongoing production concerns from third party infrastructure downtime in Western Canada.

On pricing, most of those—all the pricing details are in the MD&A on our website for further information, but I'll just make a few comments. The average realized price for total Upstream production, both crude oil and natural gas, was comparable to the fourth quarter last year. While WTI pricing was up, it was offset by a small decrease in Brent and widening differentials for our light and heavy crude oil and bitumen in Western Canada. Chicago market crack spreads fell early in Q4, averaging $11.91 compared to about $28 in Q4 2012 and also included in the fourth quarter results, was a FIFO loss of approximately $94 million after tax related to the US refining and marketing operation. This reflects the processing of higher price feedstocks purchased earlier in the quarter when crude oil prices were higher. The realized US Downstream refining margin reflects these two issues and was lower at $6.94 per barrel compared to $16.19 a year ago. As a result, US refining and marketing operations incurred a net loss of $11 million in the fourth quarter compared to $87 million in net earnings a year ago.

Still on the Downstream, our business maintained its track record of reliability in the fourth quarter. The planned 45-day turnaround of the Lloydminster upgrader wrapped up early in the fourth quarter and production ramped back up according to plan. As a result, the upgrader contributed $53 million to net earnings in the quarter compared to $68 million a year ago.

In Upstream, as we mentioned earlier, we achieved our annual production guidance for the third consecutive year. Upstream production in the fourth quarter was approximately 308,000 barrels of oil equivalent per day, and this compares to 319,000 boes a day a year ago. The decrease takes into account reduced production volume due to the tie-in of equipment for the South White Rose extension during the quarter, and as was said before, these numbers also reflect our ongoing limiting of dry gas investment, resulting in a continued decrease in dry gas production. This will continue throughout 2014, and as you'll recall from our guidance, we have set Canadian dry gas production in the range of 420 million to 480 million cubic feet a day for 2014. We also experienced production constraints across our Western Canada business due to ongoing third party transportation and processing infrastructure downtime.

Looking forward, a few items of note in the coming quarters. In Upstream, as we previously mentioned, the Liwan 3-1 field will come offline for a six- to eight-week period in the second half of 2014 to tie in Liwan 34-2; planned maintenance activities in Western Canada in the second quarter include a full turnaround of the Rainbow oil and gas facility for approximately four weeks; and looking further out, our partner has scheduled the 28-day turnaround on the Terra Nova FPSO in the third quarter.

In Downstream, we will be doing supply and maintenance at the Lima refinery later in the first quarter to help us prepare for a major turnaround scheduled for the fall of 2015. The work on the crude unit, hydrocracker and associated equipment is scheduled for about 18 days and will bring our capacity at Lima down to about 60% over the month of March. In addition, a 35- to 50-day maintenance program is planned at our partner-operated refinery in Toledo for the second quarter of this year and we anticipate operating capacity may be reduced to 70% during this period. In the fall, we'll be undertaking a partial outage at the Lloydminster upgrader with planned rates expected to remain at approximately 80% during the planned 42-day turnaround.

Finally, the Board of Directors has approved a quarterly dividend of $0.30 per share and a reminder that the Board has decided to continue the stock dividend program and this fourth quarter dividend, payable in April, will be paid in cash.

Now, over to Rob for an update on our operations in the fourth quarter.

ROBERT PEABODY:
Thanks, Alister. I'll start by updating you on our process and occupational safety performance. In terms of recordable injuries, we've been making steady progress. Since 2011, we have seen a 26% reduction in our recordable injury rate. In other focus areas, we have reduced our process incidents by 60% since 2010 and we have increased our efforts around preventative maintenance to further improve reliability and operational integrity in both the Upstream and Downstream businesses. This contributes directly to improving safety, while at the same time, benefiting the bottom line.

Now, turning to operations and starting with heavy oil; thermal production is playing an increasingly important role in our production plan as we complete the transformation of our heavy oil business. We've seen—we're seeing consistent results from our existing developments with thermal heavy oil production reaching more than 37,000 barrels per day during the fourth quarter, up 42% from about 26,000 barrels per day in the previous year. A reminder that these projects are extremely cost efficient, with low F&D and operating costs of around to $10 to $12 a barrel. Two weeks ago, we started production at the 3,500 barrel per day Sandall project and current production is 2,400 barrels per day, or about 70% of design capacity, which is pretty good after just 14 days.

We're advancing construction at the 10,000 barrel a day Rush Lake thermal development, with commercial production expected in the second half of 2015. We continue to see good results from the two-well pilot in operation at Rush Lake now. In terms of heavy oil horizontal development, we wrapped up our planned 140-well program for the year. On the CHOPS side, we were able to further optimize our rig operations and exceeded our plan target of 200 CHOPS wells for the year, with about 230 wells drilled.

Moving to our Western Canada operations; we continued to sharpen our focus on well costs management. In particular, we are working to reduce capital for drilling and completions across the Western Canada resource portfolio. A good example of this is our Wapiti Cardium oil resource play. Since we started up this play in 2011, we have reduced average well costs by about 30% to about $5 million to $6 million per well. Summarizing our oil resource play activities, we drilled a total of 101 wells and completed 96, primarily on our near-term Bakken, Viking and Cardium oil resource plays during the year. In total, production from our oil resource plays increased to more than 6,700 barrels per day over the year, up 26% compared with a year ago.

Looking at activity on our liquids-rich gas resource plays; at Ansell, we drilled a total of 25 wells on the play in 2013 and completed 30 wells. Well costs at Ansell have dropped by roughly 40% since 2011 and are now in the range of $8 million to $9 million per well. Production has increased 45% over that time, in line with our targets. In the Duvernay, production has commenced at Kabob on our first four-well pad. We drilled and completed six wells during the year at an average cost of around $13 million a well, which is drawing closer to our target well cost for the play.

Turning to our Downstream business; low cost, high return decisions that we have taken are improving the flexibility of our crude feedstocks, our product range and our market access. In terms of market access initiatives, we are increasing our storage capacity at Hardisty and at Patoka, Illinois; several pipeline commitments are providing for increased conductivity and we have also been increasing market access for our Atlantic region production. Specifically in the fourth quarter, we sold one million barrels of White Rose crude to the Indian Oil Corporation, their first purchase of Canadian oil. Oil from White Rose is now approved for use in state-owned refineries in India. All of these factors are helping to support our growing Upstream production while improving our ability to respond more quickly and efficiently to the market.

Turning to our growth pillars, as Asim mentioned, it's been just seven years since Liwan was discovered. That's a remarkably brief window in the offshore industry considering all the steps involved, including an initial appraisal, the design of the facilities, testing, regulatory approvals, construction and commissioning. This is the first and largest deep water development offshore China and when production is achieved shortly, it will flow directly into the fastest growing energy market in the world.

Elsewhere in the Asia-Pacific region, we are advancing our two planned shallow water developments in the Madura Strait. Platform construction is underway at the BD field and we are awaiting final government approval on our FPSO tender. Negotiations continue for a gas sales agreement for the combined MDA/MBH development, and we are evaluating a new natural gas discovery made in the fourth quarter in the vicinity of these fields.

Looking at our oil sands business; the Sunrise Energy Project continues to move ahead. Commissioning work is now underway on six pads. All modules have been installed in the central plant and the vast majority of equipment is set within the central plant as well. Work is now focusing on off-module piping, hydro testing and installing electrical and instrumentation throughout the plant. While our top priority is to bring the first phase online, we are also planning for the next phases and have started initial engineering work on Sunrise Phase 2.

In the Atlantic region, at the North Amethyst satellite tieback, we completed the first multi-lateral well in the region and brought it on production in the fourth quarter. It's performing very well, at about 20,000 barrels per day gross, which is about 14,000 barrels a day net to Husky. We are moving ahead at South White Rose and oil production is expected by year end. For West White

Rose, we are building a graving dock for the construction of a wellhead platform in anticipation of moving forward with the full development of the field. First oil is expected in 2017, in that timeframe, subject to all necessary approvals. Looking forward, we have a number of very prospective options for longer-term production offshore Newfoundland. Chief among these are the three significant discoveries in the Flemish Pass, at Mizzen, Harpoon and most recently, Bay du Nord. As mentioned earlier, we have secured a drilling rig to move ahead with an appraisal and exploration program that will start later this fall and continue throughout 2015. We are also planning to conduct a 1,900 square kilometre seismic program in the Bay du Nord area this spring. A reminder that Husky holds a 35% working interest in all three discoveries, which are located in close proximity in the Basin.

So, to sum up, we build up considerable momentum in 2013 to get us where we are today. In the Downstream business, we are improving our flexibility to respond to market conditions and developing new avenues for our products. Two major projects will start production this year and our heavy oil thermal program is on the fast track and we are opening up a new frontier in the Flemish Pass offshore Newfoundland while continuing to maximize our returns from the White Rose field region.

Now, I'll turn you back over to the Operator.

OPERATOR:

Thank you. We will now begin the analyst question and answer session. Any analyst who wishes to ask question may press star and one on their touchtone phone. You will hear a tone to indicate you're in queue. For participants using a speaker phone, it may be necessary to pick up your handset before pressing any keys. If you wish to remove yourself from the question queue, you may press star and two. One moment, please, while we poll for questions.

The first question is from Greg Pardy of RBC Capital Markets. Please go ahead.

GREG PARDY:

Thanks, good morning. That was a good, thorough rundown. Wondering if you can just dig just a little bit more into, I guess, the finishing touches that you're going to need to put on to Liwan now? Then secondly, maybe just a question for Alister. I may have asked it before, but can you give us just a sense as to where you think cash taxes will land, or even a range for 2014 with everything planned? Thanks very much.

ASIM GHOSH:

Okay, so let me take the Liwan first and then I'll hand you over to Alister. So at Liwan, all of the sub-sea equipment has been laid, the central backbone (ph 22:26) is complete. Basically, what we are now into is pressure testing of the lines, dewatering of the lines and pretty well most of the weathers have—you know, I should have mentioned in my comments that we were held back by weather for several weeks and this is literally—it was sort of one in 10-year bad weather this year. The—most of what is weather sensitive, Greg, is now behind us. We've got maybe four or five days of weather sensitive stuff, but the good news is we are—we have been having good weather for the last 10 days. So, it's literally kind of the finishing touches of testing the seals, pressurizing the system, clearing out the water from the pipes and replacing with nitrogen, so that—that sort of work, okay?

Now, on the tax part, let me hand you over to Alister.

ALISTER COWAN:

Okay, Greg, I think I've said before, we expect cash taxes to be about 80% of our total tax expense for the year, so that would mean it would be slightly higher than this year's number.

GREG PARDY:

Okay. Great. Thanks for that, guys.

OPERATOR:

The next question is from Chris Cox of Raymond James. Please go ahead.

CHRIS COX:

Hi, thanks for taking my question. First on Liuhua 29-1, can you maybe provide us some additional commentary in terms of how you—negotiations are proceeding for that gas sales contract and, you know, additionally what we can maybe expect in terms of pricing relative to the existing Liwan gas sales contracts?

ASIM GHOSH:

Alister, why don't you take that.

ALISTER COWAN:

So I mean, there's two options basically for Liuhua 29-1. One is to sell on to Mainland China or to sell into (inaudible 24:24) to sell into Hong Kong. We need—they have different production profiles. The pricing would reflect those different production profiles. We are in discussions with a couple of parties. You know, we don't expect to have any decision on that probably until at least the end of this year.

CHRIS COX:

And on—in different production profiles, are you kind of referring more to maybe a higher condensate yield or just the actual ramp up profile of the project?

ALISTER COWAN:

It's just as a total volume that either party would require for their needs, so one would be a higher production profile; one would be a lower production profile.

ASIM GHOSH:

But over a longer period of time.

ALISTER COWAN:

Over a longer period of time and the pricing would reflect those two issues.

CHRIS COX:

All right, and then on Madura, can you maybe give us some timing on when the evaluation of those five discoveries will be completed and any sense yet of how meaningful those could be to the overall development plans associated with the Madura development?

ASIM GHOSH:

Rob, do you want to take that?

ROBERT PEABODY:

Yes, Greg, I guess I'd just say, you know, we're doing the evaluation now. Sometime in the middle of this year, we'll have a good idea of what that looks like. In terms of materiality, I think these are add-ons to the overall development, but we'll have more information from that when we finish the work.

CHRIS COX:

All right, thanks. Then just the last question here, just kind of staying within Asia-Pac; what are you kind of seeing today in terms of M&A opportunities in the region? You know, are you seeing kind of more coming your way that could potentially complement your existing portfolio in the region?

ASIM GHOSH:

Well, I think we are looking at some organic opportunities. You know, we mentioned earlier that we've got an exploration block off Taiwan. We are getting an early stage exploration block to extend our lands in Indonesia and the return possibilities of that seem—are generally higher than acquisitions. It's not a cheap market to make acquisitions in and we actually have a team that looks at everything that comes our way, you know, in all our core operating areas but we haven't come across anything so far that is—that would meet our return criteria.

ROBERT PEABODY:

Yes, I would just add one thing, that as you look at the prospectivity in the Flemish Pass now, we have a lot on our plate in terms of exploration.

CHRIS COX:

Mm-hmm. Okay, no that's great. Thanks for your help.

OPERATOR:

As a reminder, any analyst who would like to ask a question, please press star and one. The next question is from David McColl of Morningstar. Please go ahead.

DAVID MCCOLL:

Yes, good morning, everyone. Thank you for taking the questions. Can you elaborate more on your marketing strategy and in particular here, I'm wondering how you plan on dealing with kind of light oil price realizations? This is partly directed at onshore production but I'm really wondering how concerned you are about a potential glut of light oil developing in the Atlantic basin since it sounds like you definitely are putting this on your radar and kind of related to that, I guess, is whether you can provide any additional comments on that kind of sale of crude from White Rose to India, whether it's a—you know, any terms you can discuss, price realizations or maybe any future guidance on volumes? Thank you.

ASIM GHOSH:

Well I, you know, the key for us – the sale to India – did open up a potentially very large new market for us and, you know, I think Rob mentioned in the section that White Rose crude is now approved for use in state-owned refineries in India. So fundamentally, we—you know, it's a bidding process. Right now, West African crude has a bit of an issue. They are undercutting the market but just by a few cents, so should we ever get to a position of a clack (ph 28:28), not a very large price difference will actually open up a huge market for us in India, and I think we are taking the appropriate steps to really make ourselves accessible to that market. Having said that, the glut of oil, of light oil right now is all moving by rail. We believe the cost of, you know, on the continent rail is likely to go up more than come down and, therefore, I think you are seeing a situation which is at its worst right now but with considerable upsides from where we are right now.

ROBERT PEABODY:

Yes, the only—this is Rob Peabody. The only thing I would add too, is I think it's important to distinguish between ultra light crude and light crude as well because most of the crude that we're producing in Western Canada or off the Atlantic region is more like a 34 API-type crude, so it's actually a very robust crude that contain—you know, can be used to produce a large suite of products. Many of the US—you know, the new US production, a lot of the surge in that is in ultra light crude that actually, is very good for making gasoline and chemical products but not a lot else.

ASIM GHOSH:

But there's a glut—and there's a glut of gasoline. So actually, I cannot—you know, you—I answered the question in the context specifically, of Atlantic production, but if you look at the larger context of the Company, the fact is that the glut of light crude is benefiting us substantially in Lima and we positioned Lima to move between light and heavy as the markets move so that we have, you know, we basically end up with a flexible hedge within the Company.

DAVID MCCOLL:

Thank you. I guess kind of a really nice segue into a little follow-up here for the Downstream given that advantage, how are you guys able to, I guess, bring in some of those cost advantage crudes? I'm wondering, you know, are you looking at maybe increasing rail shipments in if you can do that, or do you appear to have more than enough pipe capacity, you know, really in getting this crude to your refineries?

ASIM GHOSH:

So, let me give you a high level answer first, okay, just to put the strategic context in place. So, we have, as I've said in my earlier calls, we have got three strategic planks to our US refining assets. We want to improve input flexibility, we want to improve product flexibility and we want to improve output flexibility. Now, I'll start with the middle block first. The middle block, very simply, is investments of the sort that we mentioned, which is the upcoming crude repositioning project which allows you—no, sorry, the input part is, you know, it allows you to use more heavy, if heavy is advantageous, or allows you to go to light at times when light is advantageous. In terms of product, we are now able to run at, instead of a 3-2-1, we're nearly able to run close at a 2-1-1 in our Lima refinery simply through very low cost changes we've made such as, for example, the kero-hydrotreater. The—but the basic access flexibilities, both on the access—input access part of the output market part is, for us, through—mainly through pipeline investments we've made and tankage investments we've made in the last two years. So, we have expanded that capacity at Hardisty, we expanded our—we have taken on new tankage capacity at Patoka and at Cushing and all of these are, for the most part, pipeline connected.

DAVID MCCOLL:

Okay, thank you. I'll leave it at that.

ASIM GHOSH:

Okay. Thank you.

OPERATOR:

The next question is from Menno Hulshof of TD Securities. Please go ahead.

MENNO HULSHOF:

Thanks and good morning. I've got a couple of questions. First off, could you just comment on the scope of the drilling program in the Flemish Pass and to year end and 2015 and then, as a follow-up to that, when do you think the partnership is going to be in a position to make a decision on how those discoveries get developed?

ASIM GHOSH:

Rob?

ROBERT PEABODY:

Okay, Menno, just—you know, so I just always have to worry. I don't want to get into any disclosure beyond our partner. Just fundamentally, I mean, what we've said is we're taking this rig for one and a half years. In that period, we expect to be able to drill probably five wells and in that period, I would say four of those wells would be classed as sort of delineation wells, with a focus on Bay du Nord but we are also going to look at the other discoveries as well, and then at that point, we'll make a decision as to where we go from there because there is a lot of other high potential prospects in the region, which again, Statoil referred to. I think they talked about eight to 10 potentially high potential prospects beyond that so, lots of things to do there. We are—both partners have said let's focus a lot on Bay du Nord first because it looks like it could be a standalone development and, hopefully, at the end of this—the 3D seismic work plus the delineation wells, we'd be in a position to understand how we'd develop that.

MENNO HULSHOF:

So, likely not before 2016 then?

ROBERT PEABODY:

You know, sometime later. In 2015, moving into 2016. Both companies have made the statement they're committed to moving ahead with this fairly quickly.

MENNO HULSHOF:

Perfect. Thanks, Rob.

OPERATOR:

This concludes the analyst Q&A portion of today's call. We will now take questions from members of the media. As a reminder, please press star and one on your touchtone phone to ask a question. If you wish to remove yourself from the question queue, please press star and two.

The first question is from Jeff Lewis of the Financial Post. Please go ahead.

JEFF LEWIS:

Hi there. Thanks for taking my question. Just regarding the sales of crude from White Rose to India Oil Corp., can you just comment on whether you see that as a future viable sales option for volumes from Western Canada and thinking of future oil sands production? Thanks.

ASIM GHOSH:

Sure, sure. So (audio interference 35:44) I mean, for us, this was a test sale of a certain quality of crude, and as we said, we are now qualified for the state-owned sector in India but really, if you look at the high level work that's been done on the Energy East pipeline, the west coast of India, which is pretty well where most of the refining capacity in India is, is (inaudible 36:12) cost depending on whether you go across land and then go through Energy East across the eastern route, vis-à-vis, going through the western route and then thereafter, when you go past India, it gets cost advantageous to go from the theoretical western route. So, the short answer is yes, once Energy East is up, India becomes a cost competitive destination for Canadian crude.

JEFF LEWIS:

Just a follow-up; has Husky taken a position in that pipeline?

ASIM GHOSH:

Have we gone public on any positions we've taken on pipe? I don't think we gave guidance on specific pipeline capacities taken, but I'll just give you a general philosophy of the Company. We believe in having exposure to a cocktail of pipelines.

JEFF LEWIS:

Okay. Thanks.

OPERATOR:

Next question is from Rebecca Penty of Bloomberg News. Please go ahead.

REBECCA PENTY:

Hi, there. Thanks for taking my question. I just wanted to ask a follow-up about the—sending oil to India. I may have missed it earlier in the call, but I'm hoping you can spell out exactly how much you guys sold to India – and I think you said it was Indian Oil – in that first shipment and I just had one other follow-up question after that.

ASIM GHOSH:

Okay, well I think there was some information in the media about this already. That shipment was one million barrels.

REBECCA PENTY:

Okay, great. You know, this is sort of off topic, but given that you have refinery expertise, I'm wondering if you guys have a commentary on what's—this idea of having a refinery on Canada's west coast, in Kitimat, this David Black project and whether, you know, whether it makes sense economically?

ASIM GHOSH:

We will only comment on our business. We certainly, I think, will not comment on it.

REBECCA PENTY:

Okay, thanks.

OPERATOR:

There are no more questions at this time. I will now turn the call back over to Asim Ghosh for closing comments.

ASIM GHOSH:

So, thank you again, everybody, for joining us. To wrap up, we have set substantially higher production guidance for 2014. First gas from Liwan is imminent, followed by start-up at Sunrise in the second half of this year and as in the previous three years, execution will again be a guiding mantra this year. Thank you for joining us.

OPERATOR:

Ladies and gentlemen, this concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.