



# **HUSKY ENERGY**

## **2016 PRODUCTION GUIDANCE & CAPITAL EXPENDITURE PROGRAM CONFERENCE CALL & WEBCAST TRANSCRIPT**

**Date:** Tuesday, December 8, 2015

**Time:** 9:00 AM MT

**Speakers:** **Asim Ghosh**  
President and Chief Executive Officer

**Jonathan McKenzie**  
Chief Financial Officer

**Robert Peabody**  
Chief Operating Officer

**Bob Baird**  
Senior Vice President, Downstream

**Dan Cuthbertson**  
Manager, Investor Relations

**OPERATOR:**

Welcome to the Husky Energy 2016 Production Guidance and Capital Expenditure Program Conference Call and Webcast. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, simply press star and one on your touchtone phone. Should anyone need assistance during the conference call, they may signal an Operator by pressing star and zero on their phone.

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

**DAN CUTHBERTSON:**

Good morning and thanks for joining in on our call. I'm here with CEO Asim Ghosh; COO Rob Peabody; CFO Jon McKenzie; and Senior Vice President Bob Baird from Downstream. We will go over our 2016 spending plans and production guidance, and then open the line up to your questions. All figures referenced are in Canadian dollars and before royalties, unless otherwise stated.

Today's presentation will contain forward-looking information. I'll direct you to the advisory included in this morning's news release that outlines the various risk factors and assumptions. These are also available in our annual filings on SEDAR, EDGAR and our website.

Asim will now provide you with his overview.

**ASIM GHOSH:**

Thanks, Dan. Thank you all for joining us. You will recall that in October I said that I'm bullish on Husky even in this rather bearish market. As a result of the decisive steps we've taken over the past five years, actually, the structural transformation of Husky has resulted in two significant outcomes.

The first is perhaps the most important, given the prevailing environment. We have lowered the Company's earnings breakeven point for WTI oil from the mid-50s last year to the low 40s today, and we will be sub-40s by the end of 2016, and looking forward, we have even more opportunities for profitable growth and continued lowering of our earnings breakeven price with

the ongoing transition of our asset base. In tandem, we've reduced our sustaining and maintenance costs by 15% to 20%, and I should add these aren't the results of haircuts taken by suppliers. These are sustainable structural savings and worth \$400 million to \$600 million a year, that allow us to do significantly more with less.

When we set out our balanced growth strategy five years, the key elements were the decisions to stay diversified, to stay integrated and to deliberately transition into a low sustaining capital business. At that time, only about 8% of our production base was in that low sustaining capital category, and by the second half of 2016 that number will rise to more than 40%. That strategy has been executed in multiple ways. Today, our growing heavy oil thermal business is supported by a massive resource base. These are long-life fields with very low execution risk. Further, we've made strategic investments in our two integrated energy chains, the Lloyd Value Chain and the Sunrise Value Chain, which allows us to realize global prices for our heavy oil and bitumen production; and in addition, the Asia-Pacific business is providing solid value to fixed priced contracts and thus is not exposed to oil market price volatility.

Over the past year, we have continued to deliver on our strategy and I'll note a few highlights.

First, heavy oil, has been our bread-and-butter business for nearly eight decades, but let me tell you our heavy oil business today is not your father's heavy oil business of yesteryear. In fact, accelerating focus on our Saskatchewan-based thermal production over the past five years has been nothing short of a game-changer. With modular development, fast build times, quick wrap-ups, thermals offer high returns with low sustaining capital requirements, and they typically surpass nameplate capacity in the early stages.

For example, we began production at Rush Lake in July. It hit its 10,000 barrels per day nameplate capacity in just four weeks after the startup, and as these projects usually do in the early months, is now running at about 14,000 barrels a day. Rush Lake 2, an identical 10,000 barrel a day neighbour, has been sanctioned and will start up in the second half of 2018.

At the Sunrise Energy Project, our ramp-up continues as planned, and I think Rob will speak more about it in a moment. Bitumen is being sent through to our refinery in Toledo, where products are being made and sold at Brent-like pricing.

In June, we achieved first oil at the South White Rose extension in the Atlantic region. We started with the second well shortly afterwards and have reached our full production volumes.

Beyond these, we have an unrivalled portfolio of projects in which to invest in 2016 and beyond. We've outlined a list of our priorities in this morning's news release, but to mention a few: we will complete development of three new heavy oil thermal projects in the coming year. These are Edam East, a 10,000 barrel a day development starting up in the second quarter; Vawn, another 10,000 barrel a day project slated to come onstream in the third quarter; and Edam West, a 45,000 barrel a day project brought online around the same timeframe. We also expect to add another 5,000 barrels a day at Tucker in the second half of the year, in a similar ilk. At the Lima refinery, we are moving forward with our Flexibility Project, which will allow us to refine up to 40,000 barrels per day of our growing heavy oil production, this project is a different order of magnitude of capital efficiency compared to a new build. Offshore Indonesia, we are progressing the liquids-rich BD Field towards production in 2017, which is yet another high-return, fixed-price project not exposed to market volatility. Finally, in the Atlantic Region, we have secured a drill rig and will continue to drill development wells to maintain a high netback production.

Looking forward, we have set conservative price planning assumptions. Maybe today, it doesn't look so conservative. As I've said, this is not a price forecast, but the basis on which we have built our business plan. This plan will generate cash flow from operations that will be in balance with our capital expenditures, and so the Company will be cash flow neutral at that price planning assumption.

The capital management plan includes several parameters. First, as I said, we've set a price planning assumption of US\$40 WTI oil and Cdn\$3.00 AECO gas. Second, our investments must meet a hurdle rate of at least 10% IRR after tax at that price planning point; and for new investments, the earnings breakeven has been set at US\$30 per barrel WTI, or less. Should the plan generate more cash flow, we have many more opportunities in which to invest that can deliver more than a 10% return on our planning assumptions. Indeed, a selection can provide more than 20%. At all times, we'll continue to triangulate our top three priorities, a strong balance sheet, our dividend and profitable low sustaining capital production growth.

While the balance sheet clearly takes precedence in this environment, we recognize the dividend is important to our Shareholders. Last month, we introduced an interim measure that preserves the strength of the balance sheet while providing a dividend in the form of shares. This move is in alignment with our sound capital management approach, and should commodity prices rise above our current price planning assumptions, I see no reason why a cash dividend would not be reinstated. The Board will, as always, continue to look at the overall health of the business each quarter, as well as the underlying commodity price fundamentals.

To sum up, we are building a more profitable and more resilient business quarter after quarter.

I'll hand the call over to Jon, who will review our 2015 numbers and financial plans for next year.

**JONATHAN MCKENZIE:**

Thank you, Asim, and welcome, everyone. As we've said before, it is in our DNA to take a conservative outlook. The principles in support of that objective include maintaining sound capital management, preserving our strong investment grade credit rating, and not taking on any new net debt in the near term. In this regard, we will target a net debt to cash flow of about 1.5 times at the bottom of the cycle pricing.

Before I speak to our capital plan, I'll take a moment to talk about a couple of initiatives that we have identified that will contribute greatly to the resiliency of the Company.

First, we are accelerating the transition of our Western Canadian portfolio through the disposition of select legacy oil and natural gas properties. This will allow for more focused capital programs so we can deploy a much larger proportion of capital to assets that can deliver higher returns in the low oil price environment. As we have already indicated, this will not include any of our heavy oil or oil sands assets. We are also looking at selling some of our third-party royalty interests, representing about 2,000 boe per day of production across BC, Alberta and Saskatchewan. All told, we expect the rejuvenation of this business will further improve its resiliency through the various commodity cycles.

In addition, we are in the early stages of assessing the potential partial sale of a selection of midstream, pipeline and storage tank assets in the Lloyd area. The proceeds would serve to strengthen the balance sheet, enabling us to meet our internal debt objectives sooner than

originally planned. While in the preliminary stages of evaluation, the transaction would not include any of our downstream assets, such as the Lloydminster upgrader and the refineries. We intend to retain operatorship of the midstream assets in order to maintain our tight integration between upstream production and our downstream facilities.

So, now moving to our capital management approach, Asim spoke to some of the economic thresholds of our new investments. I'll remind you we also rely on a rigorous capital allocation process. Let me provide you with some additional context of what we look at when determining where to invest.

First, our hurdle rate for any investment, it needs to return at least 10% at US\$40 WTI oil and Cdn\$3.00 AECO gas, and breakeven at \$30 WTI. Beyond that, we look at a number of factors, including keeping a good balance between short-cycle and long-cycle investments, limiting our mega-project investment exposure at any given time, maintaining incremental value capture along our integrated value chains as we grow our heavy oil and bitumen production, and balancing our geographical and geological diversity.

CapEx for the next year will be in the range of Cdn\$2.9 billion to Cdn\$3.1 billion. This reflects, in part, the efficiencies we are realizing from ongoing cost-saving initiatives, including continued progress on lowering operating costs and reducing our SG&A. Note that this plan does not include the impacts of dispositions of legacy assets in Western Canada or royalty asset sales.

In regards to production, Rob will speak more to the various operational activities. Guidance for 2016 has been set in the range of 330,000 to 360,000 boe per day. The forecast reflects the improvements in the quality of production and the ongoing transition to lower sustaining capital projects, which will comprise more than 40% of Husky's overall production by the second half of 2016.

To sum up, with the decisive actions we've taken and with the further steps underway, we expect to emerge from this cycle as a much stronger and more resilient business.

Now, I'll turn it over to Rob to talk about our operations.

**ROBERT PEABODY:**

Thanks, Jon. I'll start off with a look at some business unit highlights and speak to our plans for 2016.

Turning first to heavy oil, as Asim mentioned, we continue to make good headway with our assembly line of thermal projects currently under construction. In fact, we've been able to accelerate our production schedule for each of them. Overall, we expect to reach in excess of 80,000 barrels per day from our thermal portfolio by the end of next year, and this compares to just 18,000 barrels per day in 2010; and, as we said at our Investor tour in September, we have identified three new 10,000 barrel per day thermal projects, in addition to Rush Lake 2, for development in the 2018-2021 timeframe.

At our Tucker thermal project, we drilled a new sustaining well pad and have increased production by about 50% since the first quarter of 2015. We have seen substantial progress at Tucker since we redoubled our efforts in 2010. In fact, volumes have grown from about 6,000 barrels per day at that time to approximately 15,000 barrels per day today. This is economic production with better well placement, tapping into higher quality reservoir, leading to improved SORs. We're planning to start steaming the new Colony reservoir at Tucker in the first half of 2016. With reservoir characteristics in this part of the development resembling our Lloyd thermals, we expect to increase overall production towards 20,000 barrels per day at Tucker by the end of next year.

Turning now to Western Canada, the rejuvenation of this business began five years ago with the development of higher value resource plays. The portfolio is being further focused by the planned dispositions of legacy assets to unlock additional capital flexibility. Our goal is to translate from a business with a large number of small plays into one with a focus on fewer, but more material, plays. Ultimately, we see a business of similar size to the one we have now, but requiring only about one-third the capital to sustain production. Our priority in 2016 will be to continue to advance Ansell and other resource plays, such as our Kakwa Wilrich projects, which have been seeing excellent results.

Moving to the downstream, the strategy we first set out in 2010 included the decision to remain a fully integrated company. Our downstream business includes two distinct value chains which

support production from Sunrise and our growing number of heavy oil thermal developments in the Lloydminster region. This allows us to capture Brent-like pricing for our bitumen and heavy oil production, while helping to mitigate exposure to oil price differentials. We will continue to strengthen these chains in 2016. We are building out our pipeline network in Saskatchewan and advancing the crude oil flexibility project at the Lima refinery, which, as we said earlier, can be done for a fraction of the cost of a new build.

Now, looking at the Asia-Pacific Region, the decision to retain these assets strengthened our connection to one of the largest energy markets in the world. Since that time, we have successfully built and installed the largest offshore platform in Asia, brought on two deepwater gas fields, and we have started developing a series of natural gas discoveries offshore Indonesia. Gross gas sales volumes at the Liwan gas project are averaging about 295 million cubic feet per day. We're continuing to advance our rich portfolio of high netback opportunities in this region. Last week, we signed a production-sharing contract for an oil exploration block offshore China. We plan to drill two wells on the 15-33 block in the 2017 timeframe. Offshore Indonesia, we have commenced development drilling in the Madura Strait at the liquids-rich BD Field, and have signed a fixed-price, set-volume gas sales contract. The topsides and jacket were sailed out and successfully installed in October and first production is anticipated in 2017. Three shallow water gas fields are being advanced on the same block and are slated to progressively start production in the 2018, '19 timeframe.

In oil sands, since its successful winter startup late last year, Sunrise has been delivering steady, reliable results. Production is now running at just under 18,000 barrels per day. Steaming is underway on all 55 well pairs, with about 46 wells gradually being brought on production. The remaining nine wells will be added for a steady ramp-up in the coming months. We continue to be encouraged by the performance of the reservoir, which is tracking ahead of our internal production targets. Our decision to take a gradual approach on the ramp-up is providing for continued well integrity, while optimizing steam conformance to maximize ultimate production rates. While we're only nine months past first oil, the wells are showing the production growth curves we expected. Our initial type curve was risked for well length, operating pressure and reservoir characteristics. It forecast a gradual increase over 12 to 18 months to get to our average target of about 1,200 barrels per day per well pair. In other words, we are well on our way to hitting the 60,000 barrel per day gross target around the end of 2016.



With low sustaining capital requirements and a forecast life of more than 170 years at 60,000 barrels per day, Sunrise is on track to deliver steady, reliable production for a very long time.

Looking now at our Atlantic Region operations, our strategy is to stabilize production and extend the life of the main White Rose field through a series of high netback satellite extensions and development wells. At South White Rose, two wells are continuing to produce close to their peak production of 15,000 barrels per day, and the SeaRose FPSO continues to perform strongly, with an up time of about 97% in 2015. Yesterday, we announced the signing of a two-year contract for the Henry Goodrich drilling rig. The rig will help maintain high netback production from the White Rose area. In the Flemish Pass, we are happy to be advancing our appraisal work on the Bay du Nord discovery in a highly prospective area.

Thanks, and I'll now turn you back to Anastasia.

**OPERATOR:**

Thank you. We will now begin the analyst question-and-answer session. Any analyst who wishes to ask a question may press star and one on their touchtone phone. You will hear a tone to indicate you are 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.

Thank you. Our first question is from Greg Pardy of RBC Capital Markets. Please go ahead, Mr. Pardy.

**GREG PARDY:**

Yes, thanks. Good morning. A couple of questions, but maybe just the first is, Asim, what stage of the process are you at right now just in terms of the dispositions? I mean, realizing that you've just come to your budget, is this something you'd expect to unfold over the next several months or is it a little more advanced in terms of data rooms open, and so on? Then, secondly, I just want to double-check that the proceeds here would be earmarked for debt reduction.

**ASIM GHOSH:**

Okay. Well, first of all, the process is well underway. We've engaged with financial advisors. We are already seeing strong interest, but we are short of the stage of actually having formal

data rooms laid out. The data rooms are being developed. The process has kind of started, but there was so much interest, the process had started before the data rooms were really ready.

The second question was on the target debt reduction. So, the proceeds, yes, I'm now to give a simple principle, if I've got your question right, Greg, a simple principle: everything from asset dispositions goes to strengthening our balance sheet, and then our CapEx will stay in balance with organic cash flow. Was that the question? Did I get the question right?

**GREG PARDY:**

Yes, no, no, that's fine, that's fine. Then, maybe just the second one is with respect to the projects that might not make the 10% cut. You mentioned that all the projects have got to generate a 10% IRR at \$40. I'm just curious, within the number of projects you have, can you give us any examples of stuff that's just not making the cut, from your perspective?

**ASIM GHOSH:**

Actually, to be honest with you, I mean, this portfolio is so large that I cannot see any reasonable cash flow forecast in any reasonable price forecast that I can see that will not give us opportunities to invest money productively that meets the hurdle rate that we have laid out, but, you know, you get into longer term things, like the carbonates, of which we've got a huge resource—now I'm not in a position to quantify that, but I think we are still at a very early stage, we haven't even done proper pilot projects on that. So, those sorts of projects, you know, may have passed muster at \$100 oil and we haven't simply done the homework at what they'd do in (inaudible 23:16). If I look at that, and I'm speaking here from memory, so I might have missed it, but pretty well all our heavy oil thermals, other than the ones we've told you about, we probably have at least half-a-dozen already identified, and many more to come, which would meet that hurdle rate.

What are we doing in Western Canada? The Ansell assets, you know, there's the Wilrich, there's the Kakwa Wilrich we're doing. Downstream, we've got a number of projects. I mean, Rob spoke today to the Lima refinery flexibility project and the Saskatchewan gathering system. Asia-Pacific, all of our gas projects, of course, are not linked to oil and they have high double-digit returns. Likewise, when you look at the Atlantic Region, anything you're looking at both in the near term and of course of the longer term wouldn't make those targets. I'm not looking for

productive homes for capital for the next several years. We know they are there at these price planning assumptions.

**GREG PARDY:**

Great. Thanks very much.

**OPERATOR:**

Our next question is from Mike Dunn of First Energy. Please go ahead, Mr. Dunn.

**MIKE DUNN:**

Good morning, folks. Rob or Asim, maybe you can—with regards to Sunrise, we know there's several reasons why you're taking it slow there with the ramp-up, but I continue to get questions from investors on that, so perhaps you can walk through for us what the pace of ramp-up from here to year-end 2016 looks like. Is it going to be linear from here or sort of back-end loaded in terms of rate of growth, and maybe you can put some colour around that so that we know what's, I guess, expected over the next year? Thanks.

**ASIM GHOSH:**

Mike, I'll attempt a very high level answer before I expose my ignorance of details of the oil industry, but, fundamentally, it's worth repeating. I know you said you know the reason, but I think it's worth repeating for the others. The reason for the slower and more deliberate ramp-up is because of the lower overburden at Sunrise than its immediate neighbour and, therefore, we are working at a lower pressure. This has benefits longer term, because while it ramps up slower, it leads to more orderly formation of the steam chambers and, therefore, longer term, it gives us better well integrity.

Now, having said that, clearly, we are following an S-curve and we didn't start all the wells at the same time. In the early months, for as long as four weeks to twelve weeks, we get fines coming in, and so we've got to nurture the process of starting up the wells in the early stages. But, our growth is not going to be linear, it's going to follow an S-curve, and the early wells that we started ramping up after the fines were cleared up have, in fact, been tracking to that type curve and following that S-curve. So, since we didn't start up all the wells at the same time, we've got a number of wells that are still at the very, early stages of the S and we expect to see that build-up over the next—literally, it's a week-by-week process.

Finally, in terms of the exit rate, I think Rob in his section already commented, but give or take a few weeks here or there, but that's kind of what we are looking at. So, there's nothing we've seen so far that would indicate in any way that the reservoir is not behaving the way it should. In fact, I get a daily text message every morning—we get a daily report, and consistently we have been ahead of where our type curve for the overall project was.

**MIKE DUNN:**

Okay. Thanks, Asim.

**ASIM GHOSH:**

Rob, do you have anything technical to add to that?

**ROBERT PEABODY:**

No, I think you've covered it, Asim.

**MIKE DUNN:**

Okay. I think it's been twice you've put a slide out showing where the production has performed against your expectations. I guess we don't know the expectations until sort of after you've got the numbers posted...

**ASIM GHOSH:**

Yes. Look, we are mindful when we put anything out that we're putting out a representation and we realize it has got to be rigorous, and all of this is basically discoverable, if you guys should doubt our numbers, but, fundamentally, we are consistently ahead, and as Rob said, yesterday's number was something like just a few hundred—a hundred barrels or so short of 18,000 barrels a day, so we are basically continuing the pattern of being slightly ahead consistently of our expectations.

**MIKE DUNN:**

Okay. Thanks, Asim.

**ROBERT PEABODY:**

(Inaudible 28:24)

**MIKE DUNN:**

Go ahead, Rob. Sorry.

**ROBERT PEABODY:**

No, I was just going to say the curve you're referring to, I think is the one we've been using since kind of September/October and it went to December, and that was just for scale purposes, just so they would look good. I'm sure, as we get into next year, we'll have a curve that goes throughout the rest of the year, as well.

**MIKE DUNN:**

Okay. I was just hoping for that curve now, but that's fine; I'll leave you guys—I'll let it go there. Thanks.

**ASIM GHOSH:**

Okay. Thank you.

**OPERATOR:**

Our next question is from Benny Wong of Morgan Stanley. Please go ahead, Mr. Wong.

**BENNY WONG:**

Yes, thanks, good morning. I'm just wondering—just looking at your guidance from 330, 360, I'm just wondering if you can give the key moving parts to get you from the low end and up to the high end there?

**ROBERT PEABODY:**

Okay. Well, let me say a few words about that, too, and pick up on a few other comments, I guess, we've got around production guidance, just a few kind of framing comments. I'd say that, you know, don't be misled by the headline metric, in that it's about the same as we're producing this year. The key thing really is the quality of the barrels as we go from one year to another, and by the end of 2016, more than about 40% of our production is going to come from low sustaining capital, so we continue that transformation that we've been setting up, and that means we'll spend less, really, to sustain the current levels of production going forward. The production mix of the barrels continues to get a little oilier, going from about 68% to just under

80%. When you consider Liwan as oil—in fact, Liwan these days is a little better than oil, if you look at oil prices and the price we're getting for Liwan, in terms of a barrel of oil equivalent price.

So, at the same time, the 40,000 barrels a day of new production that we bring in in 2016 has sub-\$15 operating costs. That's replacing production that's going out of the portfolio through natural decline, but also through the divestment program we've mentioned. So, you get this turnover of higher operating costs and higher F&D cost type production for a lower one, as Asim described in his introduction.

So, as new projects come on earlier, we can move that transformation further, and that is clearly one of the major drivers, to come back to your question, of what's between the low and the high end, is just exactly when the new projects come on as we go through next year.

**BENNY WONG:**

Great, thanks for that, and just second, is there any preliminary guidance you guys can offer in terms of EBITDA or revenue in terms of the midstream assets you guys are looking to divest?

**ROBERT PEABODY:**

Jon, do you want to take that?

**JONATHAN MCKENZIE:**

Sure, I'll take that. So, basically, Benny, just in terms of our cash flow from operations, that sort of \$45 Brent, \$40 WTI, \$3.00 gas, we're kind of in the \$3 billion range, and then the sensitivity to that—and you can read more on the MD&A from Q3, it's disclosed there—there's a sensitivity of about \$70 million per \$1.00 increase in the price of oil. But, if you kind of look at 2015, we're tracking very much to that and the sensitivities largely remain the same. So, you can take an earnings number and a cash flow number based on what we've done year-to-date, but the numbers that I've given you are pretty close to where we're tracking to and what you should be using on a run rate basis.

**BENNY WONG:**

Sorry, I was referring specifically to midstream assets that you guys were potentially looking to divest.

**JONATHAN MCKENZIE:**

Okay. Sorry, I misunderstood your question. Just in terms of the midstream assets today, the midstream assets we're looking at—as we mentioned, they're in the Lloyd area. Today, they're cash flowing; they're EBITDA is in the \$150 million to \$200 million range.

**BENNY WONG:**

Great, thanks for that.

**OPERATOR:**

Our next question is from Kristina Cibor from Goldman Sachs. Please go ahead.

**KRISTINA CIBOR:**

Good morning. This is Kristina Cibor for Neil Mehta. I just had a broad question, whether you could provide any colour update on the Alberta regulatory environment with respect to royalties and tax and carbon considerations.

**ASIM GHOSH:**

The carbon tax work is of course already in the public domain, but as we've gone through the details—well, there are a lot of details still waiting to be fleshed out, so it really would appear that what's in the public domain is a starting point for—it's a skeleton for further detailing out and we are awaiting that. As far as the royalty work is concerned, we are awaiting the output from the royalty panel, and that's a couple of weeks or so, it's expected, I believe.

**KRISTINA CIBOR:**

Got it, and then just a follow-up question, and I don't know if you have any initial thoughts or colour on this. So, in 2016, you have a decent amount of turnaround activity, both for refining and for E&P. How do you sort of think about the trajectory of your R&M outlook in 2017, and ultimately your E&P production in 2017?

**ASIM GHOSH:**

Well, I think, you know, we are confining ourselves to a 2016 guidance call for the moment. We are in a volatile price environment and obviously that will inform both our positions on dividend, as well as on what CapEx we will spend. As I said earlier, we have three priorities, a strong balance sheet, a dividend, a cash dividend, and continuing investment in our very substantial

and diversified portfolio. So, it's premature at this stage given the volatility we're seeing in commodity prices.

**KRISTINA CIBOR:**

Got it. Thank you very much.

**OPERATOR:**

Our next question is from Nima Billou of Veritas Investment Research. Please go ahead.

**NIMA BILLOU:**

Good morning. Thank you. It seemed following Q3 that you guys were going to adhere to spending within maintenance levels, you know, \$2.4 billion to \$2.6 billion. Obviously, you still followed up that you're going to provide detailed guidance, which you did today, which is closer to the \$3 billion range. Is that incremental CapEx solely related to refinery capital?

My second question would be on the higher cost assets you're looking to divest. You obviously have confidence, and there's a lot of interest in those assets. Do other buyers have adjacent properties that they'd be able to drive those costs down, and just what gives you that confidence that you'd be able to divest them at an appropriate price?

**ASIM GHOSH:**

Sure. So, the first question, actually, what we had said was we would maintain within our cash flow at the price planning assumptions, so the guidance we've given today is consistent with that position. Therefore, as our maintenance and sustaining CapEx keeps coming down, that frees up more monies for investing in our growth portfolio. But, there may be a misunderstanding. We did say that we would be cash flow balanced; i.e., cash flow from operations is what would pay for capital investment. There's no inconsistency there.

Now, the second question was to do with...

**NIMA BILLOU:**

Divestment of assets.

**ASIM GHOSH:**



Divestment of assets. Yes, well, I think, you know, I can't tell you what is in the purchaser's mind, but I think you've already given one part of the answer, and we have had a lot of interest already. We can't be all things to all people. We focus on what makes focused sense for us, and there are assets that would similarly make sense to other people, and that must be case, because as I said, we are getting a lot of interest.

**NIMA BILLOU:**

Thank you very much.

**OPERATOR:**

This concludes the analyst question-and-answer 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, press star and two. Please wait a moment while we poll for questions.

Thank you. Our first question is from Terry Roberts of CBC News.

**TERRY ROBERTS:**

Yes, hi. We're interested here in the West White Rose project, no mention of that today. I'm just wondering about the status of the concrete gravity structure or the seabed tieback and when there might be a decision on the final investment.

**ASIM GHOSH:**

Well, you know, we are continuing to study the various alternatives to develop the next part of that project, and refining the costs on all the alternatives. So, basically, when we are ready to announce the outcome, we will do so, but at this stage it continues to be work in progress on all possible alternatives.

**TERRY ROBERTS:**

Right. I note that you budgeted about \$400 million to \$500 million in capital expenditures in the Atlantic Region for 2016. Obviously, that's for drilling in the White Rose and in Bay du Nord. So, I guess with that amount of money budgeted, is it unlikely—is it fair to say, that there will be any major progress on West White Rose in 2016?

**ASIM GHOSH:**

Rob, do you want to take that?

**ROBERT PEABODY:**

Sure. The budget for the east coast at the moment that's covered in our guidance clearly does cover the ongoing delineation in the Flemish Pass. More importantly, it covers the capital expenditure for drilling which is associated with completing the South White Rose extension project, and also really completing the North Amethyst project with its development wells. So, that's the majority of that CapEx in there. Of course, we still have a project team on West White Rose and they are working all the alternatives, as Asim described, and looking for the right way forward. This is still likely to be part of our mid-term development in the east coast, but we've got all the ducks in a row on this project.

**TERRY ROBERTS:**

So, you will eventually proceed with this project, is that what you're saying?

**ROBERT PEABODY:**

I can't guarantee anything like that. What I can say is we're working the alternatives and we've also—we've been clear about our economic hurdles and what it has to compete with in the portfolio.

**OPERATOR:**

Our next question is from Dan Healing of the Calgary Herald. Please go ahead, Mr. Healing.

**DAN HEALING:**

Thank you and good morning. I was just curious about the midstream assets that you're looking at selling in the Lloydminster area. I guess, first of all, does Husky own 100% of those assets at the moment; and secondly, I guess, what sort of assets are we looking at there? Can you give me any idea of the size?

**JONATHAN MCKENZIE:**

Sure. So, it should be clear that we haven't entirely put the package of assets together that we're considering at this time, so we're looking at multiple different options today, but we'll clarify that on a go-forward basis, but what we have in that area is about 1,900 kilometres of

pipe and associated storage with that. We're looking right across sort of the scope of those assets to determine what assets would form part of that package and what assets wouldn't.

**ASIM GHOSH:**

Do we own 100%...

**JONATHAN MCKENZIE:**

Yes, we own 100% of those assets.

**DAN HEALING:**

Okay, and if you did a partial sale, what would that look like? Would that mean giving up operatorship?

**JONATHAN MCKENZIE:**

Those are important assets to us, and they really link our thermal strategy to our downstream strategy, so operatorship is something that is important to us, and how we construct the actual sale or what proportion we do sell down is something that we're actively looking at right now, but we haven't concluded on what that proportion share would look like.

**DAN HEALING:**

Okay, and I just have one more question, more on a strategic level. With the downturn, obviously there's a lot of companies that have oil sands or heavy oil assets for sale. I know you're trying to sell some assets, but are you also looking at picking up some assets?

**ASIM GHOSH:**

We—Asim again—we constantly look at both assets and corporate businesses. Our real genuine dilemma continues to be that we've got such a wide portfolio of organic opportunities which meet our very strict hurdle rate so well that we cannot find—we have not so far found something outside that is material. We've had the odd tuck-in and you guys have information on that, but we can't find something material organic that would really justify our diverting monies from spending inorganically.

**DAN HEALING:**

Okay. Thanks.

**OPERATOR:**

Our next question is from Jeff Lewis of the Globe and Mail. Please go ahead.

**JEFF LEWIS:**

Oh, hi. My question was answered. Thanks.

**OPERATOR:**

Our next question is from Chester Dawson of The Wall Street Journal. Please go ahead.

**CHESTER DAWSON:**

Yes, thank you. I guess I'd like to ask about the carbon cap. As Asim mentioned earlier, the details remain to be fleshed out, but is that something that is going to be a disincentive for you to invest in Alberta going forward; and secondly, do you feel that the industry was consulted properly, you know, ahead of the announcement of the carbon cap specifically?

**ASIM GHOSH:**

Well, look, I mean, basically, if I look at our investment criteria—Jon spoke to our investment methodology. So, from our point of view, the various taxes in various jurisdictions are just something we put into the pot of our calculations. Overall, we've got a very diversified portfolio geographically, by play type, and we look at the returns on each of those. The costs are determined by the CapEx costs in the region, the type of play in the region, the inherent productivity of the reservoir, and jurisdictional taxes just go into that pot, as with any other costs.

Now, as far as the process is concerned—look, we are engaged constructively with the government and our position always is that in all jurisdictions we work in, we will work constructively with the government and work with the law of the land as it's laid out, but at the same time I have said that we have to consider jurisdictional competitiveness, and we have said that if Alberta gets out of step with other regions, you know, investments will move. These are not my words. The government's own climate panel, basically, said the same thing. So, as with any business in any sector, in any category, we will invest in those projects that offer the best quality returns.

**CHESTER DAWSON:**

Okay. Thank you.

**OPERATOR:**

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

**REBECCA PENTY:**

Hi, thank you for taking my questions. It's sort of a two-part question about the oil market and how you're looking at the current environment you're in. Asim, I'm just hoping you can provide a little bit of colour—I may have missed it right at the beginning, but just about why you've changed your planning assumption to make it around \$40 WTI, whether you were surprised at all about the reaction to OPEC's moves this past week; and just the second part of that question, I'm wondering do the current low oil prices and your forecast, or your expectations, could those lead to shut-in production by Husky?

**ASIM GHOSH:**

Okay. So, Rebecca, first of all, I have to tell you that OPEC did not consult me on their moves of a couple of days ago, okay, so that's a bit of an admission of impotence on my part, but that's what it is. Now, having said that, about three weeks ago we gave guidance and I think we had some feedback that we're being overly conservative. Today, you can say that we are being overly aggressive. We are fundamentally in a period of enormous volatility, and we have to plan to take some there. We did so. We have a bias towards conservatism and, as I've said repeatedly, this was not an oil price forecast, it's a price planning assumption. When you look at how the prices have yanked around over the last year, you will basically have to say that anybody who's urged to the conservative side has probably ended up in a better place than people who made aggressive planning assumptions.

Secondly, at the sort of prices we are seeing today, will it require shut-ins, the answer is it will not.

**REBECCA PENTY:**

Okay. Thank you.

**OPERATOR:**

Our next question is from Pat Roche of the Daily Oil Bulletin. Please go ahead.

**PAT ROCHE:**

Hi. You've allocated \$100 million for oil sands spending. Does that include anything for a pilot in the bitumen carbonates at Saleski?

**ASIM GHOSH:**

No, that's just sustaining capital in the normal course of events.

**PAT ROCHE:**

Okay, and just another question on Saleski. How do you see that resource? Is it something that is viewed as very long-term, like more than 10 or 15 years down the road before development would begin?

**ASIM GHOSH:**

Well, I would basically say long-term. You can decide whether the word should be very long-term or long-term, but it's long-term.

**PAT ROCHE:**

Okay, and one last question on your adding 5,000 barrels a day of production at Tucker. Can you give me any detail on that in terms of where that's at right now and what you're adding in terms of number of well pairs or steam generating capacity, etc.?

**ASIM GHOSH:**

Well, I'll give you high level detail. Really, we are working within the existing steam plants and this is even a more productive use of our steam capacity than what we have seen so far, but, basically, as Rob said, this is a Colony formation, and the Colony formation has characteristics very similar to our Lloyd thermals, so therefore, you know, (inaudible 48:51) in the sort of two range, and it comes on quickly. The work on that pad is well advanced. Exactly how many well pads there are, Rob? We'll get back to you offline on...

**ROBERT PEABODY:**

It's around five, but, yes, plus or minus.

**PAT ROCHE:**

Okay. Thanks very much.

**OPERATOR:**

Our next question is from Tanya Zelinsky of Upstream International Oil and Gas Newspaper. Please go ahead.

**TANYA ZELINSKY:**

Hi, thank you. Good morning. My questions have been answered.

**ASIM GHOSH:**

Thank you.

**OPERATOR:**

Our next question is from Ashok Dutta of Platts. Please go ahead.

**ASHOK DUTTA:**

Hi, good morning. I wanted to ask whether the new royalty regime that has been issued by the Newfoundland government will in any way come in the way of a Term Sheet being signed between you guys, Statoil and the government for the Bay du Nord development.

**ROBERT PEABODY:**

This is Rob. I would just say that, first of all, as in the case of—you know, this is a royalty framework, which Newfoundland has always had, and then when it comes down to specific projects, we always end up having a discussion and a negotiation with Newfoundland on the specifics for individual projects. Keep in mind that it's not just ultimately royalties that are negotiated; there's benefits with the Newfoundland government, and a number of other issues that also factor into the final economics of the project.

**ASHOK DUTTA:**

Okay. Thank you.

**OPERATOR:**

This concludes the time allocated for questions on today's call. I will now turn the call back over to Mr. Asim Ghosh for closing comments.

**ASIM GHOSH:**

Thank you. Thank you, everybody, for your questions. So, I'll just summarize some of the points I just made earlier. So, basically, the balanced growth strategy continues to inform our way. The structural transformation, which really we've been working on for the past five years, has delivered two important outcomes. First of all, we've lowered our earnings breakeven point for WTI oil to the low 40s and we expect to reduce it to the sub-40s by the end of 2016, and of course this transformation continues. It's a journey we started on five years, but that journey doesn't end at the end of 2016, it continues beyond that, and so with that ongoing transformation of our asset base, we progressively free up more growth capital, and we have multiple opportunities of profitable growth and the continuing lowering of our earnings breakeven price.

Thank you all for joining us today.

**OPERATOR:**

This concludes today's conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.