Husky Energy

HUSKY ENERGY INVESTOR DAY 2010 TRANSCRIPT

Date: Wednesday, December 01, 2010

Time: 9:30 PM MT

Speakers:

Asim Ghosh
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Alister Cowen
Chief Financial Officer

Rob Peabody
Chief Operating Officer, Operations & Refining

John Myer
Vice President, Oil Sands

Brad Allison
Vice President Exploration

Ed Connolly
Vice President, Heavy Oil

Paul McCloskey
Vice President, East Coast

Robert McInnis
Manager - Investor Relations

ROB MCINNIS:
Good morning, everyone. My name is Rob McInnis and I'm the Manager of Investor Relations for Husky Energy. I'd like to invite everybody -- or welcome everybody here to our first Investor Day and happy to see pretty much a full room. One of the things I'd like to request at the beginning is just make sure everybody has their cell phones on silent or turned off.

A couple of other points. We have our washrooms, are just out the doors to the right. There's both the men's and women's washrooms down the hall. And then the exits are here and here in case of an emergency.

Looking at today's agenda, what we're going to do is, today's presentation is really focused on the upstream part of our business. We're going to have -- whoops. Okay. Sorry about that. It focuses on the upstream part of our business. What we're going to do is we're going to have Asim, Alister and Rob talk about higher level strategy. We're going to have a brief Q&A session and then we're going to get into more detail from the other heads of our various business aspects.

There's going to be a break about 10:25 for 15 minutes, based on how we are on schedule. And then, at the end, we'll have a more, fuller, opportunity for a Q&A session.

Other thing I'd like to point out is that in all of your packages, there's an evaluation form. If, at the end of the day, if we could get you to complete the evaluation form, it would really help us in making sure we're providing the information and making a good experience for the next time we host this and if you can just put the evaluation forms on the registration table outside when you're done.

And the last part is this presentation does contain forward-looking information and I just caution you about that. There's -- the advisories are all in your presentation decks, both on the forward-looking information and reserves disclosure. And with that, I turn it over to Asim.

ASIM GHOSH:
Thank you and good morning. And thank you, on Husky's behalf, to everybody here, yet again, for coming.

This is, I'm told by people that have been in this company a lot longer than I, our first ever Investor Day.

So it's a very special occasion for us, but I promise you, also, it will not be the last ever. We intend to make this part of the process. And so the -- there'll be enough opportunity for us to get to know each over time and for us to continue to put more meat on the bones of what we're going to talk about today.

I just want to start off very quickly. Some of you have met some of us before, but as an overall team, we've got a whole bunch of people who have been hiding behind the curtain, so I'll -- let me introduce you, even though some of them may not be new faces to you.

On my immediate left is Alister Cowan, our CFO. Next to him, well two places down, is Rob Peabody, our COO. Rob's been with the company four years plus and a very, very seasoned oil person of some

30-years' standing before that in BP. He headed four principal, major businesses. We've got a bunch of other colleagues, who will be sharing today. Not in any order or priority.

We've got John Myer. John, you will stand up? John has recently joined us to help our Oil Sands group. Very, seasoned operator in oil sands. Probably the greatest another -- please, sit John. So probably the greatest amount of -- I don't want you standing up while I'm singing your praises.

So probably the most seasoned guy. Certainly one of the most seasoned guys in in situ oil sands in the country. He had various leadership roles in Firebag in Suncor, which is a property immediately adjacent and in the same formation as Sunrise. And so when he is speaking about what his knowledge of Sunrise is, he will speak with some as close to first-hand knowledge as can get.

So, we've got, next to him, is Paul McCloskey. Paul? Paul runs our East Coast operations. 33 years' experience in the oil industry in various parts of the world. And of that 33, 30 was -- has been offshore. So really one of the more seasoned offshore operators you could find anywhere in the oil industry in the world.

Next to him is Brad Allison. Brad's the Head of Exploration, intimately involved in our western Canadian business, but also has a role in the exploration lands, offshore the East Coast. Again, 30 years' experience in the oil industry. Been with us, been with -- for several years, been with Exxon.

Then it's Ed Connolly. Ed is -- Ed runs our heavy oil business in Lloyd, has done so over the last five years. And again, there's something magical about 30, but again, 30 years' experience in the oil industry, in Talisman and a bunch of other companies in the past.

Then there are a few people who will not be speaking today, but we brought them, they're part of our senior leadership team. Jim Girgulis is our Head of Legal and knows legal inside out and so far has kept us out of trouble. Roy Warnock. Roy runs our Lima refinery. Again, an old-time Husky hand, ran Lloyd before this. Terry Manning is our Head of Procurement and Project Management and Terry has been very closely involved in something we will be talking about later today, in terms of the Sunrise contracting. Terrance Kutryk. Terrance runs our Midstream operations, pipelines and then retail. And Terrance is, like Roy, homegrown; 30 years in the industry and 30 years at Husky. Bob Baird. Bob runs our Downstream operations and Bob did that -- did very many jobs in Shell, in downstream. He's been with us a couple of years. And Darren is, Darren, stand up. Darren heads our Treasury.

So all in all, the young kids on the block, in my team, have about 25 years in the oil industry and that's only a couple of them. The rest all have about 30 years. And I hope you get a chance to meet more of them. Some of them will speak today and the others, you'll get a chance to talk at lunch and in subsequent presentations.

But as Rob said, today really is about upstream. There's a lot of ground to cover and there's only so much we can do in one session. So we want to stick to principally upstream today, other than a passing reference to the logic for our downstream presence. And on that note, I'll start.
Now somebody has changed this cue thing on me, so fine.

We put out a press release the day before yesterday, and I'll start on the first couple of slides, recapping some of what we said in the press release. But it's been a busy six months for us and I'll recap very quickly at some of the achievements of the first six months.

So the first, of course, is we did announce a major acquisition on Monday and that is on top of an acquisition announced earlier, in September I believe, but we just closed last week. So in total, about $1.2 billion spent in acquisitions at very, very attractive metrics that we will discuss later in the presentation, I think both Alister and Rob talk to the metrics.

But basically, adds about 33,000 barrels a day to our immediate production, it provides a bit of a production bridge. And as I said, they are gassy acquisitions, but all in all, in the context of gas, reasonably liquids rated. And with the metrics, we are very comfortable that we have got a commercially very sound accretion to our portfolio.

The second major step was we had told you, from the first quarterly call onwards, that we were confident of getting to be in a position to sanction Sunrise by the back end of this year, or at the latest, the first quarter of next year. And we are well on target. So the Board did sanction Sunrise and you'll hear more about the project. We are very excited about what is going to be a defining step for this company.

The third major plank was the retention of Southeast Asia, and again, we told you that the Board was considering the pros and cons of this move. And we are very pleased we were able to reach a closure on that within our time frame. So we have decided to retain Southeast Asia within the larger Husky fold and as you go through the presentation, you'll understand the logic of that because it's going to be a very materially defining project for us.

And finally, given the fact that we've got so much on our plate, we made this acquisition, we've got two major projects coming up and, in fact, what is not on this page, we will talk about later, is our plans for the East Coast. There is a need for funds and hence a very comprehensive funding plan. And Alister will talk to you about the key elements of the funding plan, the equity placement that we just did was one step of that funding plan, but there's more and Alister will talk about that. Next please.

So really, to recap some of the key elements, we have reprioritized an element of our capital. And I say element in terms of the near-term, so they are the two acquisitions we've done in organic terms. And also, beyond that, we've done some organic increases on the -- in what I call our bread-and-butter, which is West Coast and heavy oil, to give us results in a very near-term time frame, really starting from the end of 2000 level -- 2011 and going on to 2012.

So those are some near-term steps, favorable recapitalization of capital. But at the same time, we are keeping our mid- and long-term growth pillars alive and those mid- and long-term growth pillars are basically in chronological order, Southeast Asia, Sunrise and the repositioning of the East Coast.

And the reason -- sorry, and the reason we are able to basically square the circle of managing both the near term and the long term is simply because we have got a funding plan in place. So we will amplify with that through the presentation with -- go on, please.

If I were to basically recap, now, the strategy of this company, and this is essentially unchanged from pretty well the first analyst meeting I had in this company, going back in June, we basically look upon this business -- I mean, this is the architecture of our business, to understand Husky, the top half of this page is what you need to understand. So that we have a common language that we speak in terms of how we understand, how Husky, would like you to understand Husky.

So our basic bread-and-butter business, I called it earlier, the foundation of our business, is Western Canada and heavy oil. That business is our historical base and it continues to be a cash generator for us. On that foundation, we are building three pillars of growth. They are chronologically, starting from the right, Southeast Asia then Sunrise oil sands and then, coming to the left, the East Coast.

Now there's a reason why those pillars are different heights. It's not just cute graphics. It is because Southeast Asia and the East Coast are both pillars of long-term growth for us, but are also part of a foundation because they are here-and-now businesses. So in Southeast Asia, we already have Wenchang getting us oil today. And we will be repositioning that in a major way, through gas projects, which are very material for this company. And I'll just touch on this very briefly.

Remember, when you talk of Southeast Asia gas, you will recall a different set of glasses on, a different filter on when you think of gas in Asia versus gas in North America because the pricing is at an all-together different level from North American gas. So these are actually financially very, very accretive projects.

Then oil sands is, of course, for all intents and purposes, truly unique to us. So it stands on a different level on the pillar. And then East Coast, of course, is very much a here-and-now business. It's been an enormously successful business for us. But it's -- we are continuing to optimize it in the near future, but really going to, outside this planning time frame, which is outside the five-year time frame, we have very active plans to reposition that business.

And if you look at it chronologically, the bottom half of the page, in terms of the priorities for the business, there have been, near term, the things you are doing is we are doing the acquisitions, we have them near term, and then in the next three to five years, we've got two things kicking in, Southeast Asia in 2013 and then going onwards from there. And the Sunrise oil sands picking up in 2014 and then getting to pretty materials in 2015 onwards.

And then longer term, of course, we've got plans for the -- further plans for the oil sands, accelerated plans to bring other phases forward assuming Phase I goes on track. And on the East Coast, Paul will talk to you about what our -- basically, our position plans are there.

And throughout all of this, there's a focus throughout this time frame on maintaining production from the Western Canada and heavy oil base, in terms of exploiting existing conventional technologies, but more importantly, repositioning our work in this basin to resource plays and unconventional. So that is kind of a combination of not just more of the same, but continuing to get results through what I'd call surgery on the run, without anesthesia. Okay?

Now, we did say that today's focus will be on upstream, but I will touch very briefly on our thinking on Midstream and Downstream. And I want us to be clear in this room on the logic for Husky being in Midstream and Downstream. Okay? We do not see ourselves as an integrated operator in the conventional sense of the term, which is having a finger in every pie.

We are principally an upstream operator and we have Midstream and Downstream operations to the extent they are necessary, to support our -- those parts of our Upstream business, which requires specialized help. In other words, because we are in heavy oil and in -- and are going to be very material players in bitumen, those are two areas that do not have very outlets in a fungible market and therefore, these adjuncts in our business exist to serve the conversion of those products to a fungible market. It's that simple.

So we are there for very specific, strategic reasons and that's all I want to amplify on today, in terms of the reason for that. But we will have occasion further down the road to discuss those parts of the business more fully. Next please.

So in summary, what you will see today is you will see plans that are based on sort of realistic, achievable actions. They are not, by our understanding, they are not fluff. We are not giving you 3D hockey sticks without specific components behind them.

It's a combination of stuff that we're doing organically, for the most part, with some acquisitions and some other value creation, value creation opportunities -- concepts that Alister will talk to you about.

The near-term and mid-term projects are on track in terms of the corporate processes, in terms of the plans. And also we have -- we are well advanced towards the initial planning for our long-term projects.

In terms of results, we are planning on volume growth of 3% to 5% compound over the planned period of five years. It'll be -- it could be higher in some years, lower in some years, but averagely, that's the range.

The -- we are looking to exercise the disciplines of reserve replacement well in excess of production. In fact, we are sticking our necks out for 140%. And if we make it, we should get the platinum medal at the end of it, but even if we are a bit short, I mean, that's a pretty aggressive target.

We are looking to increase our return on capital employed by roughly a percentage point a year. So it's about 5 percentage over the five years. And most importantly, all of this within the discipline of retaining our investment grade ratings.

On that note, I'm going to hand over to Alister for -- to put more color on the finance part of the plan. Thank you.

ALISTER COWAN:
Thanks, Asim. Good morning, everyone.

I'm going to cover three things this morning, in the next 10, 15 minutes. We talked to you about our financial strategy to support the business plan that Asim has just outlined. I'm going to give you an update on the impact of IFRS and that's good progress, and our implementation of that. I'm going to give you a brief update on the progress and status of Southeast Asia.

So Asim outlined the plan to give us short-term production and also our long-term growth over the next few years. What I'm going to talk about is what is our financial plan that will allow us to do both of those -- achieve both of those objectives.

As Asim said, it will be underpinned by continuing focus on our financial discipline that Husky is known for, around our costs and the efficiency of our operations. We're also going to, at the same time focus hard on our return on capital and making sure that we're enhancing that across all facets of our business and projects.

So while we're implementing our financial plan to support the growth, we also want to make sure that we have sufficient liquidity and financial flexibility in the future to be able to deal with any unexpected events that may happen. We also haven't changed that critical commitment the company has to ensuring that we have an investment-grade credit rating and maintaining that.

And I'm happy to say, in case you haven't noticed, that the S&P confirmed this week our BBB+ stable rating and DBRS confirmed an A-low rating after seeing our announcements on Monday. Now, I had many questions from some of you in the room about what measures does Husky use in measuring our financial performance and assessing progress.

Well, we have six key metrics and they are return on capital employed, production, reserves replacement, net-backs, F&D and operating costs and a combination of those. And I have to say, and Rob will talk a bit about this, we view net-backs as one of the most important of those three measures on the basis that we have different product types and we have different F&Ds and operating costs to be able to get those out of the ground and deliver them to the market. But net-back is a key measure for us. And then we have the credit rating type metrics, cash flow and balance sheet.

Now as Asim said, our return on capital, we're planning and targeting that that will increase by five percentage points over the plan period of five years. Rob will talk more about our operating metrics and our targets for those in his session. And our cash flow and balance sheet metrics are designed to sustain the investment grade rating that we have today.

So overall, the impact of -- the intention of our financial strategy is to enable and ensure that we have the financial capability and capacity to execute on the plan that we've embarked on over the next five years.

Just a brief commentary on our financial snapshot, where are we today from a financial perspective? Well, we will end 2010 with a very strong financial position and balance sheet. And the charts on the screen show our position compared to our peer group based on Reuters data at the end of September 2010.

This financial position on the plan we're outlining will support our growth plan, our capital expenditure program and will sustain the current dividend level.

We have certainly increased our financial flexibility and liquidity over the past few months. We allotted an extra $1.5 billion in term, committed bank facilities that will last for four years. That gives us, in total, $2.9 billion.

We have minimal refinancing risk on our long-term debt over the next five years. So our -- from our perspective, a strong financial position well supports the plan that we've embarked on to grow.

Now our financing sources are going to come from our various -- from various options. We're not going to be dependent on one source of funds or one market to achieve that.

One of the key elements is that risk mitigation has to be fundamental in how we're going to execute. Our plan has the flexibility to deal with any unexpected events and enables us to go to different sources at different times, whenever we're able to.

The plan, as you see, does include the sale of some smaller peripheral, non-core assets that don't support our Upstream and Downstream strategy. And we will -- one of the key elements that I wanted to outline is our focus on making sure that we have or obtain our financing in advance of our needs to mitigate our risks.

So that takes you to the $1 billion common equity issue that we announced and launched in price this week. The timing is clearly linked to our growth story. The fundamentals to us to be able to demonstrate that we can execute on the plan that we're outlining today and also to demonstrate that we are -- we do have a strong commitment to maintaining the credit ratings that we have.

Now there was strong demand from the market on Monday, the market responded well from our perspective, to our announcement. There seems to be strong demand and that demand for this equity issue resulted in us being able to price the issue at only a 0.3% discount to mine this closing price, which we thought was a reflection on the market's confidence in our ability and our plan.

We're also, as we said, taking steps to implement the ability to allow shareholders to take their dividends in either shares or cash. Not really a dividend reinvestment, if you're allowed to get shares or cash. We wanted to do that in a tax efficient way and we plan to have that place, hopefully, by the end of the first quarter of 2011.

Now this financing plan has the strong support of our major principle shareholders. We stepped up between our pro rata share of 71% of the equity issue we made this year and are committing to take future dividends for the periods of time in shares.

Now one of the other areas that Asim mentioned was looking to accelerate the value of our long-term assets that we have and our underexploited resource. Now as you can see from this slide, we have a very significant resource base, which puts us in a very good position. We have 7 billion barrels of reserves and continuing resources.

But just to put that into perspective, there's about 65 years of production at 2010 levels. So clearly there's a strong opportunity for us to realize the value by accelerating the development of that resource and bringing some value to the shareholders.

Now we're looking at doing that value acceleration by way of joint ventures, farm outs of some of those longer-term assets to accelerate the value. Now we're going to be looking for a combination of up-front cash from these deals, plus the future capital expenditures carried on their development. And our intent, from a time line perspective, will be to achieve that over the 2011, 2012 time line.

Now, on the capital guidance and production guidance, we announced that for 2011 on Monday. And as you know, our capital guidance has increased significantly, over 20% from 2010 levels and it's significantly higher than 2009, which was $2.8 billion.

So clearly that was a response to the 2008 economic crisis. And you are seeing the impact that reduced investment in reduced production levels.

So as we seek to sell the production gas in the short term, in late 2010, we announced an increase in capital expenditure for this year of approximately $600 million in Western Canada.

Now it's important to note that given the cycle time in the industry, you won't see -- you will begin to see the impact of that increased investment from this year and next year's capital program towards the end of 2011 and into 2012.

The focus of that investment is going to be in oil and liquids-rich gas. Very little of our capital planned for 2011 is going to be directed to the development of dry gas.

The capital plan, as you can see, shows a significant increase in expenditures, as related to medium-term projects, Sunrise Phase I, that John will talk about later, and Southeast Asia. And that will drive future growth, commencing in 2013.

The production guidance reflects the capital expenditure plan we've outlined for 2011, plus our recent acquisitions. And it's consistent with our 3% to 5% annual target that Asim outlined earlier.

So our 2000 and capital -- 2011 capital plan supports our near-, mid- and long-term opportunities. Now I'll talk to just one slide, on IFRS. As you know, IFRS comes into play in Canada in 2011. This is an accounting-only impact. There's no cash impact on Husky whatsoever. So I really want to make that clear. It's an accounting issue only.

Husky is ready with its systems, its processes and the updates to our controls that we had to make and also our internal and external reporting. I have to advise that Husky is going to make one major change in accounting policy. We are going to move to a successful-efforts basis of accounting for upstream versus the full-cost basis that we are currently on.

For you, you know that that will mean we'll now be expensing exploration costs and we will have increased depletion compared to Canadian GAAP.

We are going to take advantage of the IFRS 1 exemption for the Canada fuel cost pool, but we will restate China, Indonesia and the USA cost pools as if those had always been on a successful efforts basis.

So what is the overall impact of IFRS? Well, on the opening retained earnings, as of January 1, 2010, which is a -- will be a comparative year, we estimate that between $600 million and $900 million to opening retained earnings, and that really comes from the change to Southeast Asia in China, Indonesia and the USA in restating the interests on a successful-efforts basis and writing off exploration costs that are being written off, as we have always been on that basis.

The net earnings impact for 2010 will be between $150 million and $200 million. And for 2011, we estimate, from a Canadian GAAP basis, there will be a reduction of $200 million to $275 million.

Again, a reminder to everybody, it was an accounting investment only and it will have no impact on our cash that we're generating. So Husky is ready for IFRS and it will have no cash flow impact.

I want to give you a brief update on Southeast Asia and one of the reasons that I've giving this update is today is the first day of our new Chief Operating Officer for Southeast Asia, an individual by the name of Bob Henkel, who has extensive experience in the industry and in Asia. Now Bob is in Calgary today and he's spending a fair bit of time this week with our outgoing Chief Operating Officer, so hence the reason that I'm going to give you the brief update, just to fill you in with a couple of slides.

So as you know, and as we mentioned, the Board of Directors decided to retain Southeast Asia. It's got a compelling growth opportunity and story in a high-demand energy market. And we have developed a funding plan that allows us to retain Southeast Asia plus the other two pillars of growth, the East Coast and oil sands that Asim talked about earlier. So we're very pleased to be able to retain that and keep that compelling growth story within Husky for all the shareholders.

We have built, as you know, a substantial portfolio of assets in Southeast Asia that will drive and generally gives us production and cash flow and will drive medium-term production and value.

We'll make significant progress on Liwan, with production anticipated from the Liwan 3-1 field in late 2013, followed by the Liuhua field on blocks 29 and 26.

We also, earlier, announced that the Madura Strait PSC in Indonesia has been extended for 20 years and we've been waiting for that for some time. So now we're proceeding with development of the Madura BD Gas Field, and we're anticipating that production will start in 2014.

On this slide, I'm outlining some of the key project milestones you can expect to see over the next couple of years. We'll be submitting the development plan for Liwan 3-1 in early 2011. We will commence and continue the development drilling for that there block and also the facilities construction. We expect to finalize the gas sales agreement early next year and once those are done, we'll be able to start on the project. It all leads to confidence that we can deliver production in Liwan by late 2013 and in Indonesia, at Madura, by 2014.

So to summarize up, we're financing for growth. Our financing plan put in place will support the major growth investment over the next few years. It provides us access to various funding sources. It gives us the flexibility and I believe it lowers the risk of depending on one source or one market for that funding. I make it clear that our intent is to raise financing in advance of need and our critical commitment to maintaining those investment-grade credit ratings. And importantly, from our perspective at Husky, our business and financing plans have the strong support of our principal shareholders, as has been evidenced this week. So, thank you, and I'm now going to turn it over to Rob, who will give you an update on our Upstream portfolio.

ROB PEABODY:
Okay. I'll just check the microphone. Okay. Is the sound okay? Got it? Okay. Thanks, Alister.

Today, I'm going to share with you an overview of Husky's upstream execution plan. And following our first Q&A session, that's going to occur just after my presentation, individual members of my team will take you through each part of this program in more detail.

First, just before I go into the actual production development plans of the next five-year period, I did want to speak a few moments on Husky's approach to safety and operational integrity. Husky's operations integrity management system, or HOIMS, is a comprehensive management system, which is based on both industry best practice as well as lessons learned from industrial incidents. It incorporates all the aspects of the Center for Chemical Process Safety guidelines and methodologies for process safety and that's really the industry benchmark in process safety excellence. It also includes, under the same umbrella, our approach to occupational safety and our approach to environmental stewardship.

And HOIMS is absolutely fundamental to the -- to our entire operations across the company. The individual elements of the HOIMS program are set out on the left-hand side of this slide. But you -- if you have a few minutes later, you can kind of go through them. I'm happy to talk to any of you about those.

The next slide is just an overview of our growth projects going forward. And this will help you understand why Husky is ramping up its upstream capital expenditures. We have a wealth of projects identified across each of our five upstream business segments. We have a good mix of oil sands, oil projects oil-rich gas resource plays in the near term. On this slide, you'll also notice that the gas projects, we've tried to illustrate them two ways. We put little asterisks on the boxes, and you'll also notice a little lighter shading on those boxes. And really the take-away here is, well, we have a nice assortment of gas projects. We are going to remain oil-focused going forward and I'll add some detail on that in subsequent slides. Each of my business leads, as I said, will take you through each one of those sets of projects after the Q&A session.

But overall, by 2020, Husky expects to grow oil sands production by over 100,000 barrels per day. We look to maintain our Western Canada and heavy oil volumes and over the planned period, maintain our East Coast production volumes although we'll be putting in place a plan to increase those volumes at the latter part of the plan period.

And then we'll also, during the same time, be increasing our gas production in excess of 50,000 barrels of oil equivalent, predominantly from Asia. So that's sort of the big picture over the next decade and so what I want to talk about right now is just sort of a here and now and our short- and medium-term growth plans.

So looking at the milestones for that plan out to 2015, in oil sands, Sunrise, which was sanctioned earlier this week, construction will start on that project in 2011 and we will see first production in 2014. And John will give some more details on that shortly.

At the same time, we're actually going to be advancing Phase II of Sunrise and we expect to be doing pre-feas for Phase II of Sunrise starting next year, following through the feas in 2013 and we anticipate sanctioning that project in around 2014 or in 2014.

In heavy oil, horizontal well development and thermal projects will maintain production over the planned period and we're also going to continue our EOR efforts, we're doing our enhanced oil recovery piloting, Ed will talk a little -- Ed Connolly will talk a little bit more about that, but that's really laying the foundation for sustaining that production for the second half of the decade.

On the East Coast, North Amethyst volumes will continue to ramp up, a new injection well will be commissioned later on December and that will allow us to increase production from our second production well and then we'll continue with a series of injection and production wells over next year.

That will also -- we will also have wet -- the West White Rose pilot, while coming on last year, will add some production volumes, but is really there to provide information that will help us do the wider West White Rose development in the longer term. And then finally, in Southeast Asia, as Alister pointed out, Liwan and Madura will be coming on production in 2013 and 2014.

So what I want to leave you with is that our production growth story over the next five years is really underpinned by a comprehensive execution plan. So the result of this program is about a 3-to-5 production -- 3% to 5% production growth over the planned period. And as I said, growth comes from several businesses, not just one business. We have the acquisitions in the near term, that Alister mentioned, and I'll talk about a little later in my presentation again, to give you a little more color on those. And then North Amethyst volumes contribute strongly as we're going into 2011.

Pike's Peak South comes on-stream next year, in the Heavy Oil business unit. And, I'm sorry, it comes on in 2012, in the Heavy Oil business unit and we have increased thermal volumes as well in 2012. We see increased volumes from our resource play activity coming on in 2013 and Sunrise and Liwan volumes start contributing in 2014.

Looking at our balance between oil and gas production, going forward, as we move forward, oil sands volume additions are roughly staying in balance with gas production coming from Asia over the planned period and beyond. So we have a ratio, today, of about 70% oil production and about 30% gas production. And we -- we're happy with that balance and we expect that -- to maintain that balance going forward. It's also important to note that the Gas Act is a natural hedge towards our oil sands activities, which will be consuming more gas we go forward.

In the planned period to 2015, following the recent acquisition, which added to our conventional gas portfolio, almost all our investment gas reserves -- are in gas, which is either liquids-rich gas resource plays, and Brad will give you some examples of some of the investments we're making, they're going forward. Or its gas development in Southeast Asia.

Clearly, to pick up on Alister's comment earlier on net-backs, we like that because in Western Canada, the liquids help provide an additional revenue stream to help support the economics of those projects. And in Southeast Asia, we're dealing with a market with very different fundamentals around gas pricing. And I'll come back to that point in a minute.

Over that same period, the oil is clearly coming from our oil resource play development in Western Canada, which again Brad will give you a little bit more of a sense of, our Lloyd thermal volume and our horizontal well development programs, our increased oil sands volumes over the period, North Amethyst ramp up and some of those West White Rose volumes, as well as gas liquids coming out of these plays. Overall, we're going to maintain our balance of a 70/30 sort of oil favored into the future.

Just looking at proved reserve additions over the period, we're looking for strong reserve replacement over this period. We, again, if you look at the breakdown of this and the plan, about 60% of the reserves bookings over the next five-year period, we expect to be oil and about 40% are going to be gas. Of that 40% that is gas, about half of that is actually the result of our recent acquisitions. So I mean, strong reserve replacement and a real leading indicator of our ability to meet our production targets of 3% to 5% over the plan period.

Now, as Asim and Alister both mentioned earlier on, Husky -- Husky's focus, first and foremost, is on earnings. And hence, our focus on net-backs. Because -- and when you look at net-backs, there's controllable and uncontrollable elements, clearly, and clearly price is an uncontrollable element.

But the other two components of net-back are your operating costs per barrel and, over time, your F&B costs. So while we can't control pricing, we can focus on F&B and operating costs. Husky has a reputation for cost controls and we're going to continue to work to drive down costs going forward. However, it's also really important to understand that different products can support different levels of F&B costs. And that's particularly true in our portfolio.

So on the East Coast we have F&B costs at the high-end of our range, at about $22 a barrel. But with the same business, that actually has net-backs that are higher than any other part of our portfolio, at around $55 a barrel.

In Asia, as we -- as I inferred, and I know Alister mentioned it earlier, we can support higher F&B costs from our gas development because of better pricing. And it's important to reflect that today, in Asia, gas receives, under long-term contract, gas receives in excess of $60 a barrel of oil equivalent, while in Western Canada today, and in North America today, we're dealing with something closer to $25 a barrel of oil equivalent.

Finally, and when you look at oil sands, our F&B costs have to be much lower than our average and we're targeting F&B costs of about $7 a barrel for Sunrise, going forward, and that allows us to achieve strong net-backs, with bitumen prices netted back to Sunrise of about $50 a barrel.

So overall, over the plan period, on a blended basis, we expect F&B costs to stay below our target level of $20 a barrel, but we've managed these across the portfolio, to ensure we've maintained strong net-backs in each of our businesses.

Now turning to the other controllable component of net-back operating costs per barrel, we expect to maintain our average operating cost per barrel under $15.50 over the planned period.

In terms of oil, this will range from about $10 a barrel on the East Coast and some of our best plays in Western Canada to about $18 a barrel in our thermal plays at some of our, both, oil sands and our thermal plays. Oil sands a little bit under that, but some of the smaller thermal plays in heavy oil, a little bit above that. In terms of gas, we're expecting operating costs to be between $1.30 and $1.50 an Mcf. Now just before we break for Q&As, I did want to talk a little bit about the recent acquisitions.

First, I just wanted to say these are acquisitions in Husky's core areas of operations today. The second thing I wanted to say is basically when you put them together, we acquired 33,000 barrels a day of production at $37,300 per flowing barrel and about 15% of that production is oil.

We also obtained about 100, well, precisely 141 million barrels of proven reserves at about $8.70 and if you add the probable reserves to that, we obtained them at about $7.50.

If you look at those reserves, that's the equivalent of that 33,000 barrels a day. We can produce that for about 12 years on that reserve base that we acquired. So the basic transaction was accretive, at gas prices consistent with the forward strip. But it's also important, I've -- saw a couple of articles mentioning upside, I think there probably is upside in these properties, but we didn't pay for it. That's an important point. And overall, these acquisitions deliver production.

They return -- they deliver a return at the current forward strip price. They don't, and it's important to mention, because of the maturity of these assets, they don't require a lot of sustaining capital going forward. And if gas prices rise at any time over the next 10 to 15 years, we -- these acquisitions will achieve, I think, Asim, you said, super-normal returns going forward. So it's -- so I think those are the fundamentals of those acquisitions. And then finally, because they're in our core areas, they actually do allow us to optimize our existing operations better as well.

So just in summary, we're committed to excellence in process safety, occupational safety and environmental stewardship in everything we do in conducting our operations. We have a strong pipeline of projects and a clear path to deliver 3% to 5% production growth over the planned period and greater than 140% reserve replacement. We expect to remain oil biased and we're very happy with that balance going forward. And we'll continue to drive efficiency in our project execution, in our drilling and completion and our operations in order to deliver strong net-backs into the future. Thank you.

ROB MCINNIS:
So I'd now like to open it up for a brief Q&A session and what we'll do is we'll actually have Craig and John, who will each have a wireless microphone. If you could just put up your hand and one of them will come to you. When you do ask your question, if you could also state your name and the firm you represent? And just to allow everybody to ask a question, if you could limit your question to one question per person.

KATE MINYARD:
Good morning. Thanks. It's Kate Minyard at JP Morgan. On page 26, when you show the proved reserves additions and the replacement ratio over the six-year time frame, can you give us a little bit of insight into the commodity price assumptions you're using to drive that? As well as whether it's contingent on project sanctioning occurring on the time frame that you laid out? And also, what's built in for acquisitions?

ASIM GHOSH:
Alister, why don't you take that?

ALISTER COWAN:
Yes. The commodity price assumptions in the plan, it's a rise of about -- are basically based on commodity prices that are consistent with what's in the market today. We're not assuming any significant increases over the plan period. They are dependent on, and clearly moving forward and executing a sanction on the projects we've outlined. And I -- on acquisitions, we're not assuming there's any more acquisitions in there.

GREG PARDY:
Yes. Thanks. Greg Pardy, RBC. I think, just a question for Alister. You've done the equity in terms of the major shareholder accepting dividends in stock. How does hedging, just given your 70/30 weighting towards oil, how did hedging fit into or not fit into your game plan? That would be question one. And then second, it's just a housekeeping item, with Madura, are we still talking about 100 million gross gas production? Just curious there. Thanks.

ALISTER COWAN:
Thanks, Greg. On the hedging side, we haven't typically hedged at Husky and our philosophy basically is not to hedge. Now clearly, if we were making a major acquisition, we might look at doing something different there, but that is not in our plan.

On the gas side, if we saw gas prices or stock prices moving up, we might consider that. But at this point, it's not in our plan. And at Madura, you have to grasp, it's 100,000 -- 100 barrels a day.

ANDREW POTTER:
Okay. It's Andrew Potter from CIBC. I'm just looking for a little bit more detail on Liwan, if you could maybe talk a little bit more about the size of the first phase and maybe a little bit more in terms of how you're thinking about economics on the project, in terms of breakthrough trends?

ASIM GHOSH:
Why don't you speak to that?

ALISTER COWAN:
So Liwan, as we said, in our Q3 report, we're looking at resource there of 2.6 to 3 Tcf. So the first phase, Liwan 3-1 comprises the majority of that development. And I think we're looking at a total development cost of approximately $4.5 billion to $5 billion for the whole project for Liwan.

ANDREW POTTER:
And how much production will we see with the first phase?

ALISTER COWAN:
With the first phase, you're going to see production in the range of -- this is an off-the-top-of-my-head estimate, I'd have to get back to you with the significant details. But approximately, we're looking at 25,000 BOE a day.

ASIM GHOSH:
Over here.

TERESA LEE:
It's Teresa Lee from Sionna Invest Manager. For Asim, when you look at the capital expenditures you're going to be doing over the next couple of years, and compare it to the production of 3% to 5%, and then when you look at the equity dilution you'll have from the 7% share of paying the stocks into the dividends, how do you balance out the flat sort of production per share growth, relative to the higher CapEx? Relative to cash flows?

ASIM GHOSH:
Well, I think there are a couple of elements you've got to look at. First of all, the headline production is not that flat. 3% to 5% in the context of an oil company is respectable, by any measure.

The second point I do want to flag to you is if you look at our oil and gas ratage, it actually oil biased. So, again, the headline figure, 3% to 5%, understates the revenue impact that we are building into our model.

The third element within that, gas, is a big chunk of the gas is Asian gas, which you've got to look at in a different context from American gas.

So when you all the bits and pieces around the edges, it leads you to a somewhat different picture from one you have -- what you portray. And the proof of the pudding, really, at the end of the day, is return on capital employed. And so we are saying that we are looking for, over the plan period, an accretion of five percentage points.

Assuming no -- not assuming a crazy ramp up in commodity pricing, so we're looking at gas strips roughly in line with what we are seeing in the market today and we are looking at oil, which is generally, in our planning assumptions, more conservative than what we are seeing in the long-term strips. So in the context of that, I think, if you get that kind of accretion and a return on capital employed, that would more than -- way more than offset any dilution in the equity base.

MARK POLAK:
On your pipeline of -- I'm sorry. Mark Polak with Scotia. Your pipeline of growth projects mentioned Horn River and Montney out in the latter part of this decade. And would that just be from your existing acreage or might we see Husky looking at entering into joint ventures with some of the other players that have initiatives over there?

ASIM GHOSH:
The -- we spoke of value acceleration. Now I can't, obviously, play a chess game in public, but I can say, in a broader context, that while the areas where we'd be open to joint venture partnerships would be gas resource plays.

Again, on our specific sub-parallel roll out, I can't explain and pretty much discuss. I think for the purpose of this meeting, I will talk of the product onset. Rob, do you want to add anything? Rob, do you want to add anything more specific to that?

ROB PEABODY:
Yes. I'd just -- just so we get on the right side of the transaction, I mean, we feel we're more likely to farm out than to be farming in. Because we think -- you'll always see what deal's on the table, but it looks pretty rich, some of the terms people might want for these things. And we have a very strong position now. And Brad will talk to that a little bit more later.

I think it'll be a little surprising, sort of the position we've amassed in existing gas resource plays and Brad will talk to that a little bit more. But we see it more as an opportunity to farm out than probably to go out and farm into someone else.

ANDREW FAIRBANKS:
Andrew Fairbanks, Bank of America-Merrill Lynch. Alister, you mentioned non-core asset sales and joint ventures, we were just talking about. Do you have a sense of scale of what reserves production you're talking about when you look at those assets? And is there some estimate of those kind of deals in the production profile you've given us?

ALISTER COWAN:
Yes, that -- we're not talking about assets in our -- from our perspective that would have reserves or protection associated with them. It's more assets that may be in our portfolio that we wouldn't get to for a long time. Perhaps someday I'll value significantly more highly than we do. So we're talking about $200 million, $300 million, but nothing significant.

BRIAN DUTTON:
Brian Dutton, Credit Suisse. To get your 3% to 5% annual production growth through 2015, what's your view on annual CapEx during that same period to get you that kind of growth?

ALISTER COWAN:
It's a good question. We would see CapEx over the next five-year period, if you exclude the acquisition, which is in the 2011 numbers, something around a similar range. A range, plus or minus, a couple of hundred million on either side of that over the next -- every year over the next five years.

GEORGE TORIOLA:
George Toriola, UBS. A question around the cycle ratio and how you would be deploying your capital. You talked about F&B costs around $20 a barrel. Do you see -- what sort of -- type of ratios do you target across the portfolio, over that five-year frame?

ROB PEABODY:
I guess I'll focus more on net-backs than on F&B costs over that rate. So let me get back to you on those precise numbers. Okay? I just want to get -- I don't want to give you a false --.

GEORGE TORIOLA:
Okay. Thanks.

ROB PEABODY:
Level of precision here.

GEORGE TORIOLA:
Okay. Thanks. And then, just a couple of follow-up questions. Looking at your reserve additions, your proved reserve additions, how -- can you talk about production replacement from that perspective rather than proved reserve additions? What does that look like from a production replacement point of view?

ROB PEABODY:
Okay. I'm trying to a little understand the question, but on a production replacement standpoint, over that period, we actually, over the five-year period, we actually increased our total reserves in the company by almost a billion barrels over that period. And then in terms of our actual production over that period, we produced about 100 million -- a little -- at current production rates, it was about 100 million barrels consumed over that period. So you get a net increase of about 500 million barrels.

GEORGE TORIOLA:
Okay. And then I guess just finally, of the proved reserves, how much of that, again, is the oil sands, what you get with function in Sunray's and obviously Madura as well?

ROB PEABODY:
In terms of the oil sands, that represents, in fact I might even have that written down. It's on one of the pages. But oil sands, overall, represent about a third, I think, of that replacement over the -- over that whole period.

GEORGE TORIOLA:
Thank you.

MIKE DUNN:
Good morning. Mike Dunn with First Energy. Gentlemen, just, I guess, maybe following on George's questions, I'm just wondering how you factor in -- I'm assuming a lot of the reserves, I guess, initially at Sunrise, to be added, will be PUD reserves. And how do you think about F&D costs, including future development capital? And are there any reserves to be added in the next few years from future Sunrise phases?

ROB PEABODY:
Yes. Okay. That's -- overall, the F&B costs, the $7 F&B costs that I referred to, overall, for Sunrise, includes sustaining capital over the entire life of the project. So if you just take the entire capital we expect to spend in Sunrise over time, and divide by the total amount of reserves we eventually expect to produce from Sunrise, that's where you get the $7 a barrel.

Now we're going to phase that sort of as we're going through to try to ensure that by the time we get to first production in the project, we will be depleting something close to $7 a barrel against the income coming from there and we'll continue to kind of put reserves in slowly with sustaining capital in order to achieve those metrics going forward because we know that's what it's going to be over the whole life of the project.

So that's the framework. And there will be, over that planned period, we -- towards the end of the planned period, we start seeing some reserves, just towards the very end, additions from Phase II of Sunrise, once that project is sanctioned. But that's just very late and that's very late in the planned period.

MIKE DUNN:
Good. Thanks, Rob.

DEAN HYMORE:
Good morning, guys. My name's Dean Hymore from Investors Group. I just have two questions. One is on the -- you talked about return on capital employed improving by 5% for the next five years. Is there something, I guess you could see all the projects you're working on. Is it just kind of your expectations and projections for those projects that's driving that? Or is there something different that you're doing now that you weren't doing before that helped drive those metrics?

ASIM GHOSH:
No. I think that principally it is portfolio management. It is the choice of projects. And it's not -- there is nothing transformational built into operating practices. The one thing I will say is in terms of our planning, we are no longer evaluating projects just by IRR, but depending on the nature of the project, we have our long-term projects, definitely look at IRR, but on short term -- shorter term projects, we are also looking at return on capital employed year-by-year.

And so therefore, in terms of the context -- in the context of the portfolio management for the, what I'd call, the bread-and-butter, a weightage towards the heavy oil, we do have a weightage towards projects you upfront return as opposed to hockey-stick return.

DEAN HYMORE:
Just one more question. Can you share your logic with the release of information on Monday? And then doing the equity offering, Monday night? Why not wait until today, maybe, to release that new information to do the offering tonight?

ALISTER COWAN:
Yes. I mean, I made some comments about that in my presentation. We released the information on Monday. The financing plan that was contained in -- its integral with the execution of our growth plan. We felt the market responded relatively well to that announcement, it was relatively stable after the initial announcement and we felt the market draw and demand was there to go with the equity issue.

So we made that decision and I think with the very small discount that we issued to closing price that was the right decision from our perspective. It is important for us, as I said we wanted refunds in advance of execution. So we were able to get out to the market, achieve our $1 billion objective for new equity and really affirm that commitment to maintaining those credit ratings. So that was really the rationale.

ROB MCINNIS:
One last question.

KEITH GRAHAM:
Thank you. Keith Graham, Rondeau Capital. Just a question then on return on capital as a follow-up to that earlier question. So can you share, I don't know if you've made it public yet, the return on

capital expectations for Phase I of Sunrise and Liwan? They said that they're going to have a major impact on improvement and return on capital because there's a lot of capital being spent there.

ALISTER COWAN:
Well, we haven't gone public with our expectations for return on capital on Sunrise Phase I. We would expect to see that as a long-term project, with a great IRR and its significantly in excess of our hardware weights. So it does ramp up over time, but we'd expect to see we'd have a good return on capital as well.

On Liwan, we're just finalizing all the project economics on that. So we will give a much more, fuller, description and understanding of the Liwan projects when we get -- when we sanction it in the first quarter. But at this point in time, we're still, as I said, negotiating the final agreement. So we're not really in a position to talk too much about that one.

KEITH GRAHAM:
Just to clarify then --.

ASIM GHOSH:
I just want to stress on one point that Alister said, that all of these projects are accretive to our cost of capital. So that discipline we are following very diligently. We are not, at any point in time, chasing headlines for the sake of headlines.

So there's an underlying discipline throughout the company, which is we are in this -- we are making decisions to accrete to our returns rather than make a headline.

KEITH GRAHAM:
Thank you, just to close the question then. So I certainly understand the comment, but is it fair to say, then, that Phase I return on capital on Sunrise is superior to your return on capital currently in the company overall?

ALISTER COWAN:
Yes. The answer could be yes.

ROB MCINNIS:
With that, I think we'll conclude this Q&A session and then we'll bring up John Myer to speak next. And we'll have a larger Q&A session at the end, after the next four presentations.

JOHN MYER:
Thank you.

ROB MCINNIS:
Thank you.

JOHN MYER:

Well, thank you very much, Rob. I would like to present an overview of the Oil Sands business and make some specific comments around the Sunrise project. But before I start my formal part of the presentation, I'd like to make the comment that I think Sunrise is going to be a very successful endeavor.

I've got over 30 years of upstream experience. The last 20 years at Suncor, and the last, close to a decade, leading various aspects of SAGD operations and development. And in my professional opinion, I think Sunrise will be very, very successful. So I'm very excited about the project. This is a big reason why I came to Husky.

So to start my presentation, I'd like to cover off some of the key elements of Husky's oil sands strategy. When you think of oil sands, your mind quickly leaps to the size of the resource, second only to Saudi Arabia. And I'm pleased to say that Husky has a significant position in that area, with close to 50 billion barrels of resource in place. The crown jewel is the Sunrise project, which is located adjacent to Suncor's Firebag property.

But we also hold a large position in the emerging carbonates. Husky will only focus on properties that we can recover bitumen through in situ methods. There's really two reasons behind that.

The first one is the size of the prize. About 80% of the bitumen is too deep to mine. So this allows us to target the bigger opportunities.

The second part, this allows us to lever the decades of experience that Husky has in producing heavy oil. So the move to bitumen production is a very natural extension for us.

We will use industry best practices and established technologies. We want to improve -- incorporate proven plant designs and use those best SAGD methods in the industry. On certain occasions, though, opportunities, we will pursue new technology where we think the opportunity merits it, particularly through JIPs or align ourselves with technology leaders.

Our fourth strategy is around fiscal responsibility, where we want to optimize the pace of volume growth with a strong focus on costs. Project execution is going to be through a gated process. And our contracting strategy is really on maximizing the amount of work that we'll do on a fixed cost basis. So this will really allow us to drive the cost certainty on our projects.

Finally, we have captured many learnings from other SAGD projects. So more than 500 learnings, from sub-surface and surface have been captured and applied at Sunrise.

What I also anticipate going forward, we'll see some additional improvements around capital intensity and operating costs in the later phases, and we'll further increase plant reliability. Husky has assembled an extensive oil sands portfolio with the potential to double Husky's production.

The gray area on the map indicates the location of the oil sands. The circles identify the locations and relative size of the resource in our properties. Sunrise is a world-class asset, with approximately 2.3

billion barrels of 3P plus contingent resource. And Saleski holds tremendous value in the long term, but it does require some technology development and a bit of piloting. That said, that property has some of the best reservoir attributes with all the carbonates, so hopefully it's well positioned to benefit from these developments.

So a few words about Sunrise. Sunrise is a world-class reservoir characterized by high oil saturation, net pay thicknesses between 30 and 50 meters, minimal gas cap and water zones in the reservoir and very high permeabilities. It is very similar to Firebag, but at a shallower depth. So this allows us to bring up some of the field development commonalities with the Lower Essor property, Mackay River.

But having a great reservoir is only a part of the puzzle. A successful project must have a great volume of geological information, so we can characterize the reservoir and determine where we want to actually drill those horizontal wells.

Sunrise has over 700 stratigraphic wells and 3D seismic, which gives the property some of the best well densities in the industry. Sunrise will use established in situ technologies, so we will be applying conventional SAGD and a plant design levered off Tucker, utilizing once-through steam generation and worm line softening technologies. The plant will be designed for a steam-ore ratio of 3.0 and the facility will have two identical plants, which will allow us to improve the ramp-up of production and overall plant reliabilities.

Regulatory approvals are in place for this phase and for further phases. Certainly in the area, water is a large issue. In the addition of water, we'll be using at Sunrise, over and above the 90% plus recycle rates, we are going to be getting from the producing zones, not from the rivers and lakes in the area. So I think this is a great sustainability feature for the project.

So the project is sanctioned. Midstream contracts are signed. The site is prepared and the key EPC contracts will be signed shortly. So we can commence drilling and construction in 2011. Sunrise is also positioned very well to utilize some of the recent infrastructure that's just been put into the area, the East Athabasca Highway and an airport.

Here's a couple of major project milestones.

Sunrise has received project sanctioning and major contractors have been finalized. We will commence horizontal drilling in the first quarter of 2011 and the site has been graded, prepped and we can start the insulation of undergrounds in mid-2011, targeting first oil in 2014. The cost is $2.5 billion, which includes some one-time infrastructure costs. But I do believe that going forward there will be lots of opportunities to improve the capital intensity in subsequent phases.

Husky has selected contractors and vendors who have exceptional capabilities and established track records. To help mitigate the execution risk of these projects, a significant amount of the plant and field facilities are lump sum or fixed unit price. A fixed unit price means that we will pay a set price for a certain piece of equipment, say a phlange or a pipe, to be installed in the field. And as we are in essence building two Tucker plants, we know what those quantities are and thusly have a good handle on the costs. Also a significant amount of the project costs have been covered by contracts with a balance to be finalized in 2011.

Developing our US refiner business is a key component in capturing the full value chain of the oil sands assets. The Toledo refinery has a capacity of about 160,000 barrels a day and can take Phase I production with relatively modest changes. These assets provide good optionality for later phases and will be integrated with the valuation of other downstream options. These plant modifications will also improve the performance of the existing refinery.

Here's some milestones beyond Phase I. Sunrise Phase II pre-engineering will commence in the new year. This gives us an opportunity to evaluate some of the economies of scale of some of the process units and improve the heat integration and overall site reliability. We will look to optimize the phase sizes for us to get to 200,000 barrels a day and beyond.

Other parts of our oil sands work plan are improving Tucker SORs and production, a pilot at McMullen, Caribou developments and establishing the recovery scheme for our Saleski project, the large carbonate holdings.

So in closing, the Oil Sands business unit will build shareholder value. We have a strong resource position, with over 50 billion barrels in place, so we're positioned well to deliver medium and long-term production growth. Sunrise is a great reservoir. Phase I is really just the start of our growth journey. We will utilize conventional SAGD with proven plant technologies and incorporate the best SAGD processes. Our project execution approach will control costs. And oil sands will participate in the full value chain to create shareholder value. So now I'd like to pass it over to Brad, who leads our exploration team.

BRAD ALLISON:
Great. Thank you, John.

So I plan to take the next ten minutes to discuss Western Canada, which is a business with a history of strong financial performance. Western Canada's basin is mature, but it's going through a transition, in the process of being reborn, as a result of new ideas and new technologies.

I want to talk to you today about how we are regenerating the foundation in Western Canada by pursuing new oil and gas resource plays and enhanced oil recovery processes. So what is our strategy in Western Canada?

Well, it really consists of two elements; first of all, maximizing cash flow. Western Canada generated about $8 billion of cash flow from operations over the last five years, with net contributions of around $2 billion.

So to ensure continued contributions in the future, we plan to stabilize and maintain production through both organic and inorganic means, direct capital to our top-tier assets and target top-tier metrics, such as the numbers that Rob was talking about earlier, $20 a barrel F&D for oil, $12 a barrel F&D for gas.

We also want to maximize the recovery from our mature fluids, by using ASP and CO2 floods. And these are really the next phase of recovery beyond water flood. And we expect to get anywhere from 10% to 15% incremental recovery from these -- using these processes.

Secondly, we'll continue to pursue high value resource and conventional plays and we have established a diversified portfolio of resource plays, and I'll expand on that shortly.

But I also wanted to say that we plan to selectively pursue high-impact conventional gas opportunities in the foothills, a recent Grizzly Valley well that tested 33 million a day of sweet gas is planned for tie-in early in the New Year and we've got a 43% working interest in that as well.

Husky continues to maintain a strong technical team within the foothills and we'll selectively pursue opportunities that meet our financial criteria. And they also have to compete with other opportunities within our portfolio, as Asim had mentioned earlier. We would have -- what have we been up to lately?

Well, we have assembled a significant portfolio of resource plays and enhanced oil recovery projects, with material, contingent and prospective resource. This slide also shows substantial conventional reserves, which is worthy of note. So all together, this represents about 2 billion barrels of total reserves and resource, including the conventional aspects. And these are recoverable numbers that exist in Husky lands.

Now in Western Canada, the slide also shows that we're not overly positioned in any one play or strategy. And in fact, this is our strength, is the diversification. Husky has the flexibility to allocate capital to the highest net-back parts of our portfolio to maximize our returns. And our resource play portfolio will openly provide us with improved F&D metrics as we go into the future.

And as Alister had mentioned earlier, we will be attracting external capital investments to help us accelerate the value forward of some of our resource plays that we have in our portfolio. So where are the resource plays located?

Husky has a fairly extensive land position within Western Canada, as you can see with the blue on the map here. We've got almost 6 million net undeveloped acres of land in Western Canada, and over the last three years, we've assembled a large land position, approximating 8,000 net acres, in gas resource plays and reserves and resource totaling approximately 6 Tcfe. Now we're planning to exit this year at about 55 million a day from assets within this portfolio, and these include liquids rich plays at Ansell and at Kakwa.

We're also positioned in the Montney in northeast BC, in Cypress. Today we've got a position in Horn River. We've got a fairly large position in the Bivouac area with Jean-Marie and we're also in the Duvernay play at the Wild River, which is emerging and it looks exciting.

Now, the other aspect is that we have diversification within our gas resource play portfolio in terms of reservoir. We're exposed to tight sands, tight carbonate sand shales. So we're not just a shale gas story as -- in respects to our resource play.

Shifting to oil resource, we've got approximately 0.5 million acres of net lands and about 0.25 billion barrels of reserves and resource in our portfolio to date. By the end of the year, we should be exiting, approximately 5,000 barrels a day, from oil resource plays with particular contributions coming from the Viking in Alberta and southwest Saskatchewan as well as the Bakken and the Lower Shaunavon opportunities.

Now overall, our strategy, then, is to focus on drilling material oil resource play portfolio and in the near term, our capital will be directed towards the liquids rich portion of our gas resource plays. And we'll also be looking to derisk and pilot and maintain our dry gas position. Now I'd like to show you just an example of one of our liquids-rich gas assets for illustrative purposes.

So, Ansell is located in west central Alberta and it possesses tremendous growth potential. The area is accessible all year round and it is -- also possesses well established infrastructure in the area. Now Ansell generates a very good rate of return, even in the current price environment. The large drilling inventory of 800-plus wells and a resource base of close to 2 Tcf makes it one of the vehicles for transforming our asset mix as we go forward.

We plan to drill close to 100 wells over the next two years and -- but it really has the capacity for much higher levels of activity. Now I'd like to just summarize our overall project plans.

In the area of oil resource or enhanced oil recovery, Husky is a leader in ASP floods and we're currently producing about 3,500 barrels a day and we expect to exit the end of 2012 with around 5,000.

Now, Crowsnest and Warner are two of the more advanced fields that are using this process. We're also in the process of building a material oil and gas play portfolio and we plan to drill approximately 200 wells over the next two years. But this is an area that we're going to continue to drive towards. And again, because of our large land position, we touch a number of developing and emerging plays as well.

But finally, we've developed a position in a number of top gas resource plays and as I mentioned earlier, we're -- we plan to focus our near term efforts towards the liquids rich portion of that portfolio, but also continue to direct some capital towards piloting and maintaining our current land base as exists with the dry gas.

Now really the pace going forward is going to be dictated by commodity price, but we feel we've built a broad and diversified portfolio that is gaining momentum and it will contribute to our production volumes over the next few years.

So coming back to our production outlook in Western Canada, you can see the stabilizing effect that our recent acquisitions have on our profile. And it's worth noting that the exit volume at the end of the plan period is comparable to the end of this year, actually slightly higher.

Oil and liquids component will increase over the plan period as well. And pursuing top quartile metrics across the business, as well as being efficient in the way that we spend our capital and directing efforts towards our oil and our liquids-rich portions of our resource plays will help maintain this profile going forward and it will generate free cash to be able to invest in other parts of our portfolio as well.

So just in summary then, we feel that we are transforming the business in Western Canada by taking a disciplined approach to maintaining our production, by pursuing our value-focused opportunities and resource and conventional opportunities, with an emphasis towards the liquids-rich portion of those portfolios. And finally, pursuing ASP and CO2 floods to gain incremental recovery from our existing mature fields. Thank you.

ED CONNOLLY:
Thanks. So my name is Ed Connolly and I'm going to talk about heavy oil. And heavy oil, for Husky, where's my little -- is the original resource play. This truly is Husky's original resource play.

Lloydminster, it is an overall field. It's the second oldest oil field in Western Canada. Only Turner Valley, in 1913, came ahead of Lloydminster. For the first 20 years or so, not much happened because of the heavy viscous oil and the technology of the day. But now, for more than half a century, 64 years, Husky's been exploiting heavy oil in Lloydminster.

And Mr. Ghosh talked about the foundation and heavy oil being one of the -- part of the foundation for this company. In the early years, it was the foundation. Husky grew out of Lloydminster. If we look at it today, Husky now has a very significant land picture. It's got a strong, strong infrastructure position. And after that half a century, they've got the skill sets and the people with the knowledge to exploit the heavy oil reservoirs.

I'm going to talk a little bit about the infrastructure in Lloydminster, but first, just a couple of things before I do. I want to talk about why infrastructure's important. In resource plays, in particular heavy oil, it's a good business. It's been a good business for a long time. It provides $8 oil price, $9 oil price and it's been a very good cash generator at $140 oil price. And at $80 today, it's a good business.

But like any business, there's a couple of key drivers. And for heavy oil, the most -- there's two real fundamental drivers. One of those is cost efficiencies. To be successful in the heavy oil business, you really need to be cost efficient. Low-cost producer wins his, to coin the phrase, a phrase that's been around a long time, but in my view, never is it more true than in the world of heavy oil. And if you look at Husky, and I go to Lloydminster, and what I see there is financial discipline like I have not seen in the 35 years in my career in oil fields around Western Canada.

It's incredibly strong. It's ingrained into those people. And we're pretty proud of that. But at the end of the day, there's still a limit to what you can do with financial discipline. I know it's there. But if you want to go down the whole step change below that, we use infrastructure. And Husky has that infrastructure.

Husky has the infrastructure to handle their oil from every aspect. From the wellhead all the way through to the end-markets. I -- the land position alone, there's 2.1 million net acres, and they're -- of

Husky lands and half of that, 1 million acres of that, has -- is under a very favorable lease. And it goes into perpetuity. It came from -- it came when the government gave 25 million acres to the railway company and this million acres of this resource ended up with Husky. So it has preferred loyalty and it hasn't got any obligations to keep it.

On the rest of the infrastructure side, if we look at Husky over this last half century, we've drilled over 6,000 wells with 3,300 -- with over 3,300 producing wells today. Husky owns 25% of two drilling rigs that drill wells there every day. Husky owns a half of all of the trucking, there's 200 trucks a day that move 1,400 loads a day, Husky owns half of that and we control what we lift to move our oil. And there's 21 oil plants in the Lloydminster block that handle all of Husky's oil and third-party oil. That's just the Upstream side.

I added another slide on the infrastructure and I just want to share this with you. Mr. Ghosh talked a bit about how Midstream ties into the Upstream business and I just want to highlight this one because in Lloydminster, if we look at the upgrader and the benefit to Husky of the upgrader, the refining, the connectivity of the pipeline to Hardisty, that opens up the markets to all of North America, that business, on a cash -- on a net proceed basis.

I'm not talking about cash operating income, after all the CapEx comes out of the cash operating income from that business, it is -- throws off cash that's almost equivalent to the Upstream business. That Midstream business is a very good business in itself.

So I said there were two. I'm going to draw your eye a little bit to the screen now, if I can for a minute. There's two key drivers to exploiting these resource plays, in particular Lloydminster. And while cost efficiencies, the first one, is very important and we said financial discipline and infrastructure drives that, even more important is innovation and technology.

If you look at the Lloydminster play, it's kind of interesting. It's nice to look back at history sometimes when you're trying to set your path forward, but if you look at Lloydminster, we go all the way back to the 1960s, Husky put in the Yo-Yo line. That gives us connectivity to Hardisty and Lloydminster to open up the markets for North America.

And they called it Yo-Yo because they shipped diluent down one way and then they blended it and they shipped it -- the blended product back. And they had storage tanks on both ends. It was pretty innovative, but what it did, it opened up, if you look at the little -- at the first little bump in production, that's what that technology did.

Technology continues on. John talked a lot about oil sands and there's as much oil in the oil sands as all of the Middle East and they have to find a way to get it out. And today, the technology that we use at thermal applications, starting with cyclic steam, when that first came in, in 1980, Husky built Pikes Peak. And today, the most successful thermal project on this planet is Pikes Peak.

It still produces, today, 7,500 barrels a day and it opened up thermal production in Lloydminster. So today, we produce about 19,000 barrels a day within the production.

If you look at the next little bump there, it's not so little. It looks like now we're climbing the mountain and we call that CHOPS. That came ten years later, 1990. More innovation. This is pure innovation. Somebody just took a Moin motor, turned it upside down and that gave us the progressive cavity pump and that pump allows us to pump fast. The CHOPS just means cold heavy oil production with sand. With that little bit of sand with that oil, we had a couple of big changes.

One, the production rate out of each individual jumped ten-fold. And two, the reserves out of each individual well jumped five-fold. And so you can see how that launched Lloydminster throughout the '90s. And it's moving into kind of a mature phase now. But it's still there. On the end of that graph, I just want to point out a couple of things. It's a new, emerging technology, and I'll speak about these. I -- horizontal drilling, high-volume lifts and some EOR technologies. So that was a little bit of a look back, just to crystallize that, where are we today?

I want to -- I want you, again, to look at the screen and just look at the pie chart for a minute.

At the end of all of that, after more than half a century, 64 years production, Husky has produced 775 million barrels of oil in Lloydminster.

Now that's significant in two pieces. One, it's a lot of oil. But, two, it only represents 8% of the oil that's been under Husky's leases in the ground in Lloydminster. Over 90% of the oil's still there.

Husky has, today, 470 million barrels of oil identified that we can exploit, using known technologies. These are thermal technologies, CHOPS technologies, horizontal lift, high-volume. But the biggest technology that we know, we know how to get that oil out of the ground.

And the last pie -- piece of the pie that you see there, you see 800 million barrels, that's what we think we can get with the technology that Husky is now developing today.

So it's a bit more distant, I think Rob Peabody mentioned in his talk, it's more towards the second half of the decade, but it's more oil than what's coming out of the ground today. There's more oil coming out of the ground today.

So what's our strategy? Maybe a better way to say that is, how are we going to focus or deploy our resources, our people and our capital? It always goes back to sustaining this business. And the heavy oil strategy has really three specific plays.

One, we're going to continue to produce using primary techniques. We're going to continue primary production.

Two, we're going to grow our thermal production.

And, three, we're going to continue to work on these emerging technologies and develop technologies to get into that 800 million barrels. We need to open that technology door.

So just to come back a little bit and I'm just going to be a little bit more specific now on the first ones and continued CHOPS development. I'm going to drill 306 wells in 2011, CHOPS wells. So I mentioned it's getting into the mature phase of its life, but there's still a good window there on that. And we plan to grow somewhere between 150, 200 wells a year over the planning period.

Horizontal drilling, I said more innovation technology. Horizontal drilling has been around for 20 years. So it's not really new. But what is new is our ability today to take the drill bit and keep it inside in that very thin layer, for a kilometer.

You couldn't do that ten years ago. You could drill a horizontal well, we didn't know -- we knew about where it was going, but not exactly where it was going. We can see now, within about a meter, of where we want to be. And inside the Lloydminster reservoir, there are certain play areas where we have ten separate layers of reservoirs.

So some of them are very deep channel sands and some of them are thin beds. But those thinner beds have never been touched. So now we're able to go in and exploit those thinner beds. And we've identified, now, 1 billion barrels of resource that we can access using horizontal drilling and we believe, and I believe personally, this is a conservative number, but in the planning process, we are using 100 million barrels as reserve recovery out of that billion. I suspect it'll be higher than that because of the technique we're using, but that's where we are with that one.

We drilled 130 wells up until now. So we've got a pretty good handle on what those wells can do and what they will deliver. And I'm going to drill somewhere between 100 and 150 wells a year over the planning period in horizontal wells.

High volume lifts; we call these high volume lifts. What high volume lifts does is it extends the life of CHOPS. And why I say that is because what happens with CHOPS is, for the most part, for most of these reservoirs, as you produce CHOPS, the water cut increases. So, more and more water comes with the oil. So more and more has to be trucked away. And eventually, you reach, in today's technology, an economic limit.

So the reason for that is because we truck everything in Lloydminster. Now I won't go into why because it's too long of a story, but what -- we're in a place now where we can put in some infrastructure, and we have a great opportunity to do that with the horizontal program. And it takes capital. So it takes capital, which means it's going to take time. And you can't do everything at once.

But we're -- I'm putting in 24 projects right now. Seven are already complete. And those projects will handle the water through a pipeline network and disposal system as opposed to trucking. And that substantially increases the life of that well because they -- because the operating costs now drop significantly. So that's what high volume lifts means.

And we believe that we can get, as it sits today, another 45 million barrels of reserves using that technique.

There is several other little technologies, but I don't -- I'm probably a little bit behind my time line right now. So I'm going to go to the second leg of the heavy oil strategy, and that was our thermal growth bridge.

On this slide, we actually call it a thermal bridge. And we call it a bridge because as you go in life of the primary production, it will move into more and more declines and we want it to stay in the production. Mr. Ghosh talked about this -- about heavy oil being part of the foundation to drive the company. So we need to sustain that, we need to invest enough capital to sustain that.

So we have a great opportunity in Lloydminster with thermal production. There are several sweet spots in Lloydminster and those sweet spots are -- they're small, so capital -- project execution is key. They're small, they're maybe 250 -- they're between $100 million and $200 million to build these little plants. We have one underway now, it's 40% complete. We call it Pikes Peak South. It will deliver 8,000 barrels a day by the end of 2012.

We have another one kicking off right now in Paradise Hill, it's 2,000 barrels a day and it will deliver that by the end of 2012. That's kind -- we also have a pilot in our Rush Lake area because that will be the follow-up to Pikes Peak South, another project, probably a little bigger than Pikes Peak South, in Rush Lake.

And then in the Edam area, we've identified at least two other little I'm getting a little prompt here, two areas that I could see 5,000 barrels a day, coming out of.

Project milestones, I've already talked about primary, I've already talked about thermal. I'll just say a couple of words on the EOR. Husky is leading the industry in developing -- this is a technology that we said we needed to open the door to the other 800 barrels and it means -- it -- and the one that we're really pushing is solvents. And we will get carbon dioxide into the reservoir, propane and methane and those solvents do the same thing as heat.

It changes the viscosity of the oil and allows us to produce more oil out of those thin beds. So it's a bit more distant. It's been in pilot phase and we've recovered 150,000 incremental barrels of oil between 2006 and now. So it's not pie in the sky. There's something real here. But to get it to commerciality, it will need several years of pilot work in the field yet, so we kind of see that in the last part of the decade.

So to wrap up, again, I'm getting some stronger prompts here, Husky has a very, very strong land position in Lloydminster. I mentioned the infrastructure position, also very strong. And over the last half decade, we've got skill sets and the people to exploit that. And Husky's got a very long track record in their ability to innovate and develop technology to exploit this record vis-a-vis reservoirs. But of all of those bullets, there's really only bullet on that slide that really counts and that might have been the only one I should put up, it's the last one.

Mr. Asim -- Mr. Ghosh talked about the foundation block. There has to be, in Western Canada, in heavy oil, and it used to be that heavy oil was the foundation, but today it is still a very key part of the foundation for this company. And this business is going to throw off cash for a very long time in the future.

That's my story. So now I'll give it over to Paul to talk a bit a bit about the East Coast.

PAUL MCCLOSKEY:
Okay. Thank you, Ed. So I'm here to tell you about the East Coast, that's the business I'm responsible for. And I want to explain the division map Husky has built so far. One, we believe that it's an important, in fact, one of the pillars of growth for the company. It's probably worthwhile starting with a definition of what the East Coast is in Husky terminology.

And my portfolio stretches from Greenland, in the far north, to the Sydney Basin, south of Newfoundland. That's about 2,000 kilometers of coast. Very, very significant area. What you may not be aware of is that Husky's been active on the East Coast, now, for, roughly, 25 years. And in that time, we've established ourselves as an extremely competent and effective operator.

In that time, also, we've built a substantial portfolio. We have an unparalleled land position. I think a recent analysis of the East Coast holdings concluded that we have the largest acreage position. But what it didn't say was that was accompanied a great database of seismic and it's had the most extensive holding of anybody. And we all acknowledge an understanding of the geology. So in an exploration sense, we're extremely well positioned. And if we look at our development credentials, White Rose was the first offshore development for Husky. It was delivered on time, on budget.

The North Amethyst; it took us 3.5 years from discovery to first production. In an offshore environment, which many would consider harsh, in my experience, it is in the harsh end of the range. Put that in context with what the industry's capable of. In general, offshore developments take on the order of nine to ten years. We did it in 3.5.

What about production? This issue is important to us. In September, we achieved 150 million barrel milestone from White Rose. Substantial achievement. I actually take more pleasure from the fact that in delivering those 150 million barrels we did so without a single lost time incident. This demonstrates that Husky is both an effective and proven operator, but also a safe one. An important consideration as you look at the lens in which the offshore operations are viewed by the outside world today, following the incidents in the Gulf of Mexico.

At the heart of our portfolio is what we termed as the White Rose Core Area. The reason we call it a core area is because it really is extensive. It covers an area of around 400 square kilometers. That's pretty big. It's interesting that we have prospectivity at a number of different horizon levels from a tertiary, we believe down to Jurassic. It contains all end gas, our focus today has been on the oil and it's sweet oil. It's an oil that trades at the premium. When Rob was describing the importance of net-backs to Husky how the East Coast fits into that picture extremely well.

We have a premium product. Our operating costs are in the range of $10 to $12 and we're projecting that forward. Our F&D costs we see in the $20, $22 range. Altogether that adds to great returns and what we've seen over the last five years of White Rose production is a net-back average of about $50 a barrel. Projecting forward at prices not dissimilar to those today. We would expect to see that over the next five years also, a really important contributor to the Company.

Now, in pursuing the core area, space we started with South Babylon, which has been the blue area on the right of this map. Next stop for us was North Amethyst I believe we made some statements around that. At North Amethyst, we're progressing our development well. We have two producers, one injector to date and we expect to add a second injector before the end of the year.

Also, important about that is it will allow our second producer to actually produce at its full potential. At the moment, it's making around 3,000 barrels a day. With water injection support, we expect it should be able to achieve 20,000 barrels a day. That is why North Amethyst is so important to us. Beyond North Amethyst, our focus has moved to West White Rose which is the rather pale green area and importantly to the west of the main -- this main core area. It's a very large and important resource for us. It is also recognized to be quite complex.

We got approval this year to progress a pilot development scheme on that resource and very quickly, we're out of the blocks and we've already drilled the first production well. We would expect production from West White Rose to be on-stream by the middle of next year. That will importantly bring not only production, which is driving value, but also information that will help us as we construct the longer-term developments of that resource.

It's also worth reflecting and again, in this core area concept, that Husky's pre-invested in FPSO and in the infrastructure on the sea bed and the flow lines. And this enables us to, stage wise, develop these resources.

The West pilot there, for example, those two wells have been drilled for an infrastructure that was already installed for White Rose main field in the central drill center. This means that our threshold for progressing the access to the new resources is lowered. That infrastructure is clearly enabling for us. But all other enablers and here's some examples of technologies that we're able to apply in developing this resource.

I picked these out because I think I quite like the graphic which shows you a 3D representation of the first West White Rose well. We were able to place this well and hit four targets within the reservoir. Important to help us with the understanding of the segmentation of our reservoir and how it will contribute over time. Well, to do that with a somewhat complicated trajectory, in terms of the difficulty index of this well, it's a 7. I'm not sure how high the index goes, but it's at least 10. We're told a seven is kind of a world-class level of difficulty. We executed that well. So it's past tense. It's behind us. Two programs, we hit all of our targets. We're just waiting now for the completion of that well and the completion of the injector to start production next year.

Another important technology for us is the use of inflow control devices. On G25-3, which was our second North Amethyst producer, we introduced about 1,600 meters of these inflow control devices. That's about 16 football fields, and as to what code of football, you're interested.

What these devices do, is they enable us to regulate the flow into the well bore as the reservoir quality varies along the length of the well. This gives us a much more predictable performance and higher recoveries. We've also coupled that technology with some tracer technology, which enables us to understand how the well's contributing over time and if water breaks through, where it is breaking through and how.

It's a really important advance for us. Now, this isn't technology for technology's sake. What I will say is that in going into the introduction of these ICDs, we've deviated from our old means of completing the wells. We didn't run liner, we didn't cement them, we didn't have to perforate. So in introducing this, we actually saved two days of rig time, which is worth about $2 million bucks to us. We were able to introduce this new technology which gives us high functionality, cheaper, more efficiently and more quickly.

I'm moving then to my production outlook. When discussing the growth opportunities on the East Coast, we talk about longer-term potential. You'll see on this chart that in the medium term, we're showing a reduction in the contribution of the East Coast. Let me assure you this is not because we don't have the opportunities. We do. If we were to continue to pursue our existing strategy of stage-wise developments of the satellites in core areas, we could fill that gap very comfortably. We're actually electing not to.

The reason we're taking that approach is encouraged by the resource plays that we see in the core area, and I think in a chart that Alister showed, he spoke to of the order of 750 million barrels of oil equivalent on the East Coast, Husky net, a large proportion of that sits within the core area. What we're examining at the moment is, is there a better way of developing this in a more comprehensive fashion? A way that will even -- will drive our F&D costs even lower and also lead to higher net-backs and higher investment efficiency going forward.

Given the position that Husky has in the rest of its business, we can take that step and indeed we are. It's important for you to understand that. It's also important to understand that the picture here shows only the known resources. It's doesn't talk to the kind of success that we may be able to achieve in the rest of our portfolio, in either the appraisal or the exploration phase.

Let's move now to the exploration. Right up front I said that Husky's built great position and it truly has. The map shows you the extent of our portfolio and the yellow blocks are the Husky-held acreage. Altogether, this comprises about 50,000 square kilometers or 12 million acres. I'm told that's equivalent to a country the size of Switzerland, which if you haven't been there, I can recommend it.

So, a very substantial area and what's important about it is in our core area, the Jeanne D' Arc, we've really got a great position. We've got an infrastructure, we've got the know-how and we can execute. That's kind of a near term set of opportunities for us.

As we step forward though, we're kind of managing this conveyor belt of exploration opportunities. But beyond the Jeanne D'Arc, in the medium term, we have Mizzen where Husky's a partner and it's important to contemplate what Mizzen is. I think it's the largest single SDL, significant discovery license, on the East Coast that's ever been awarded. And it opens up a new basin for us. Beyond that we've got Labrador, where there's already known and established gas and beyond that Greenland. Greenland is starting to generate some real excitement in the industry.

I think part of that will be because somebody's been out there drilling wells. Cairn has been drilling this year and have established a working horticulting system. That's really important. We can see significant structures. We've already run 2D seismic, we've done 3D seismic in Greenland, the first 3D survey brought up in that environment.

So we can see some real long-term prospectivity here and significant size structures. The sort of structure that could hold a billion barrels or many Tcf. That's exciting for us and I think the recent license ramp, which attracted many significant players in the industry to Greenland, is a testimony, I think, to the growing interest that the industry is bringing to this.

What Husky's constructed here is a great portfolio with a lot of balance, near-term, middle-term and long-term. So it's a portfolio with running room and I think that generates for us huge optionality and the opportunity, should we choose, to bring in strategic and like-minded partners to accelerate the value from that portfolio.

Now, with all of that, we've clearly got a lot on our plate. So, here are some of the project milestones. I'm not going to read all of this slide, which will probably be a relief to you.

So really important here I think delivering 150 million barrels from White Rose was a mark of our credibility and the track record that the Company has on the East Coast. Beyond that, we are going to be focusing on continuing the development of North Amethyst. We have a development program we're going to continue to execute on. So, in the very near-term, we will be bringing forward this water injector and it will enable us to raise production there.

Next year, you're going to see continued investment in North Amethyst and its contribution to Husky growth. You're also going to see first oil from West White Rose, which I say, will not only bring production, but we're also bring information that will help us with our long-term planning.

Beyond that; Mizzen this really important SDL. We are expecting to drill an appraisal well as a partner; Statoil is the operator of that. We're starting to get much more serious about our Greenland portfolio. We're moving from a phase of where we've acquired our 3D and our 3D surveys into ice studies and looking at the practicality of actually getting into drilling operations there. It's important to consider as we look at those opportunities, that our acreage sits south of the Cairn acreage in an area which has a longer drilling season because it's less ice prone.

Though frankly, at Husky, we know how to manage ice. So, a lot going on and a lot of exciting things. I think, together with the portfolio we've built illustrate why this indeed has that pillar of growth characteristic that's been described by Asim. So pulling all of that together; Husky is an established, proven operator on the East Coast.

We have a track record. This track record, a number of proved points, around our ability to explore, our exploration success rate is about one-in-three, which compared to world average standards is extremely high. The ability to bring developments on-stream through White Rose and North Amethyst it's produced, it's produced safely.

It is interesting, as Rob, was referring to HOIMES, that the East Coast is one of the architects for HOIMES. It's truly embedded in everything that we do and how we operate. We're attracted by the fact that in our core area, we enjoy prime net-backs and this has been one of the things of the Company. Having this large acreage position, a huge number of SDLs, we've got 23 SDLs. We've got already a swathe of discovered hydrocarbons. There really is this potential to grow a business with real longevity and real profitability in the long, long-distant term.

It's interesting that Wood Mackenzie in a recent paper on the East Coast asked the question, posed a question, "Is this the next thing?" Well, I can assure you that it isn't for us, we've been here for 25 years, we've got a great business and we've got a great future. Thank you.

ROB MCINNIS:
I think with that I will invite Asim, Rob and Alister backup and we'll have some closing comments from Asim and then we'll open it up for the Q&A session.

ASIM GHOSH:
That was the mic, it wasn't any other anatomical sound. What we tried to give you a sense of today is our view of how we are managing our portfolio. We are taking descript bits of our business and weaving it into a land of resource allocation, both financially and chronologically to give you a combined picture which gets you to the return targets I mentioned.

So in summary, we believe we have outlined our strategy to you with some degree of clarity. We have exposed you to some of our senior management team who will be leading the execution of these and future sessions you'll have a chance to meet others. We do -- we have executed certain near-term steps to butt with our short-term production.

Not just through acquisitions, but more importantly, through organic capital reallocation towards best in Canada in heavy oil. We have set the course for these three pillars, which will contribute to our future growth in the medium term through Southeast Asia and Sunrise and subsequently outside of the five-year planning time frame that we have been talking of today through the re-positioning plans that Paul spoke about for the East Coast.

And so we're talking to you about an execution plan through a very defined a projects log and very, very top line hockey stick.

Basically, as in the conversation with some of the colleagues at the last break, but basically, I think the way I position Husky is really we see ourselves as a balanced growth company. We are not a pure play, so we would not appeal to those who want pure plays, but we would appeal to those who want a balanced growth story.

This is a business with a solid foundation. That foundation provides the cash flow to fund the growth going forward. We have a funding plan in place to fund that growth going forward, but at the same time, we have a share in our business that gives investors a very attractive yield which we are committed to preserving.

Therefore, on balance, it is a balanced growth story. We do have a commitment to maintaining certain financial and operating disciplines. We do intend to get a very healthy reserve replacement in December. We do -- we are targeting a return on capital employed increase by five percentage points over the planned period with relatively modest pricing assumptions.

And most importantly, most importantly, the one thing that struck me as I came on the Board of this company 18 months ago and I've been now in the driver's seat for the last six months; was what an incredible resource base this company has.

We are not in the position of having to do and scramble to build up new lines. We are doing in-fills around existing properties, but by and large, our challenge is how to commercialize on the opportunities that we've got. And that's requires money, and that requires a plan, and that requires time. That's what we've tried to communicate to you today; what that financing plan is; what that execution plan is; and in what time frame for various projects. On that note, we will open up for questions now.

ROB MCINNIS:
Just a reminder to put up your hand and somebody will come to you. When you do ask your question, if you can just state your name and your firm, it helps with the webcast audience who are also listening in.

MIKE DUNN:
Hi again guys, it's Mike Dunn with First Energy. Guys, on Sunrise, I guess a couple of questions. First, the deal that you struck with BP, they're carrying essentially a Phase I capital costs at Sunrise and you were to carry $2.5 billion at Toledo with what sounds like no real plans for any big projects for Toledo anytime soon. What's the status of that deal and is that up for renegotiation, I guess, so that you might be paying your 50% of Sunrise or somehow having to renegotiate that?

The second question would be on Sunrise, given the experience you guys have with Firebag, how are you thinking about design changes to what was done versus Firebag, specifically, with well links and what not?

ASIM GHOSH:
Well, let me speak to the first issue first. We do see Sunrise as an integrated project. Yes, there's a carry on the first part Phase I, of the upstream part of the project, but it's offset by a carry on the downstream part on Toledo.

Conceptually, nothing has changed. Now, what has changed is of course, the state of the US refinery market and that has affected some of our timing calls on what we are doing. So in the context of this initial time frame, we will be optimizing how we will spend that capital so that we don't get too far ahead of ourselves in building upgrading capacity at Toledo. There is some upgrading capacity already there and we're optimizing to build it up sufficient to cover our Phase I needs in the context of this planning time frame.

But conceptually, as I said earlier in my presentation, we see ourselves integrated to the extent of our specialized needs to service our heavy oil and procurement requirements and that concept hasn't changed. So it's a joint venture partnership, there are two parts to it, there's a carry here and there's an offset carry there and that concept hasn't changed. The second part of the question, I'm going to hand over to John.

JOHN MYER:
So thanks very much for the question around the in situ piece. We will be doing some things a little different as far as the well lengths. They'll be a little shorter than what they would be at Firebag and a little bit closer together. That's, I think, going to improve some of the SORs, but that's only some of a few other ideas that we'd be looking to improve. It will be a little bit different, but thanks for the question.

STEVE HARTMAN:
Steve Hartman, Beutel Goodman. This question is for John as well. As you know, one of the big issues around SAGD projects has been undercapitalizing the amount of steam that's been required and I just wanted to get your feel for how conservative you're being with the 3 SOR and do you think you can beat that ultimately?

JOHN MYER:
You talking the 3 SOR? Internally, we have other aspirations, which I'm probably not willing to divulge at this point but I think externally we're seeing that 3 would be a good number to design the plant around, but we do have lots of aspirations through continuous improvement would be better.

ANDREW POTTER:
Yes, sure. Andrew Potter from CIBC. Just a question on the East Coast, I think in the past, you guys have talked about potentially monetizing the big natural gas position that you have there, either through LNG or CNG developments. Where does that fit in the planning cycle? What are the next steps there?

ASIM GHOSH:
Well, look, in terms of what we have discussed here today, we have discussed in an oil context. The gas is there. We know the gas is there simply because we know we taken it out and put it back in. So there's a huge hunk of gas where we know exactly where it is. And those options continue to be alive. We are not discussing with you today any specific plans to exploit that because it's not built into our financial model into either our inputs or our outputs.

But nonetheless, it is something very much in our minds. Paul talked in terms of our repositioning of the East Coast in terms of improving the capital efficiency. I will actually amplify a bit more on the concept. The broad concept is at this point in time, we drill through floating rigs. That is a certain cost.

It is a very high cost because it's a hostile, cold water environment and there are very few rigs that can do that.

What we want to do is we want to change the architecture of that in a way that makes sense in a field that you know, which is we are in pre-feed workings on a fixed platform. Once you have a fixed platform, you have an upfront fixed cost, but your variable cost plummets. That allows you to optimize your extraction costs. That opens a lot of -- corollary of that opens up a lot of optionality around gas, at least on the extraction side. That's part of what Paul was alluding to in why we are actually not going in with more and more wells to keep the production flat, which would be very easy to do. A corollary of that was is it gives you a lot of very attractive economics around at least on the upstream side. And then, there's a whole part around transportation and the production, but all of that is very alive. It's just not in our planning time thing.

GEORGE TORIOLA:
George Toriola, UBS. This is a question for Ed or Rob. Talking about the 800 million barrels of oil that you potentially can recover incremental recovery yet at Lloyd. You're still working on the technology and obviously, you have probably have seen some type of technical stock surge, but on the commercial side, what sort of oil prices are you anticipating to drive the technology.

ROB PEABODY:
I think the easiest way to approach that, and Ed and I have had many of these discussions about it is, what we want to do with that technology -- we get a little better net-back on heavy oil than you do on bitumen at Sunrise, both because of transportation, extra transportation charges to get bitumen from Sunrise and also just because it's a little more premium product and we get a better price for it. But net/net, as you've seen from our discussions around Oil Sands, we can invest money at the margin to accelerate the development of the Sunrise lease.

So ultimately, our goals for the EOR program in heavy oil is on a net-back basis to be able to achieve the same or better net-backs on that incremental 800 million barrels as we're looking at achieving through each phase of Sunrise as we go forward.

Those are the targets. We've taken projected sort of F&D costs in Ed's business, you know, when we started these pilots, we were sort of on the day sort of over $100 a barrel and those costs have been just -- as we keep going through each phase of a piloting program, they've been coming down by sort of half each time we do another sort of phase. But our targets are clearly that this on a net back basis needs to compete with any incremental investment we're putting into Oil Sands.

GREG PARDY:
Greg Pardy from RBC again. Asim, to say that the world has changed considerably for downstream and obviously, that's not the focus today, but let's just say conditions were different in terms of the US refining. Would Lima still fit into the portfolio strategically in your view?

ASIM GHOSH:

Long term yes, because it gives us both heavy oil and eventually bitumen bursts in capacity. If you look at our upstream portfolio, it's not -- given where we are and given where our markets are, at this point in the foreseeable future, practical to contemplate say refining it and upgrading it in Asia. I'd really therefore have to look at the alternative of incremental upgrading capacity in Canada versus incremental upgrading capacity in an existing brownfield operation. In that context, if you take the longer-term view of this company, it still is a building block.

Now, in hindsight, was the timing of the acquisitions optimal? No, it wasn't but, it is the hand we were dealt with and that's what we have to work with.

And do we regret having made the move? No, we don't, because as I said, it is therefore a very specific strategy reason that continues to be valid. It will just affect, Greg, it will just affect the phasing of our upgrading capital and while we're going to the soft patch, we are sort of putting -- we are phasing that capital more prudently.

BRIAN DUTTON:
Brian Dutton, Credit Suisse. Can we just circle back to the funding agreements for the Sunrise project again? Just so to clarify for everybody that BP does have the $2.5 billion obligation to fund the upstream side of the business. How does that work, really on the downstream side? Do you have a one-for-one matching obligation at the end? Secondly, how does the Sunrise financing on the capital budget that you've laid out for 2011 work?

ALISTER COWAN:
Thanks Brian, I'll answer that. Just to clarify the joint venture arrangements on the Sunrise and Toledo joint ventures whereby that both BP committed itself to funding the first $2.5 billion US dollars on the Sunrise development and Husky committed itself to funding the first $2.5 billion US on the Toledo repositioning to take bitumen.

So, on the Sunrise joint venture, the capital that we showed earlier and our capital guidance of $440 million in 2011, that will be funded by BP. So in effect, what will happen is we will receive cash from BP. We also have a receivable following sitting on our balance sheet so that will reduce as well.

On the other side, we have a commitment for the first $2.5 billion to reposition Toledo. There is minimal capital, as John mentioned earlier. I think to reposition Toledo for Phase I. We are undergoing or implementing the catalytic converter performer project in Toledo. That does require some capital. So we will be funding that over the next few years.

But, nevertheless, unless we reposition Toledo in the next few years for Phase II, there will still be remaining commitment of that first $2.5 billion. It would be required to be settled under the joint venture agreement by the end of 2015. So we have built that settlement of our commitment either by way of cash into the joint venture or by funding the repositioning that is included in our financing plan.

DARREN DANSEREAU:

Darren Dansereau from QV Investors. I just have a question regarding cash flow and CapEx. When I look at the plan going forward, I see where the CapEx is, but when you look at the cash flow, I'm curious where's the difference going to come from? If you look at your debt to CapEx targets, we're almost at the high end of 35% and if we're spending near $5 billion each year for the next five years, I don't think at these commodity levels, you'll have the cash flow to fund that.

ALISTER COWAN:
Yes, well, our debt-to-cap prior to our recent equity issue this week was in the low 20s. We'd expect that to be around 20% by the end of this year. The plan will be funded through the cash flow that we generate. The dividend payment stock concept that we will be offering to all the shareholders, which will reduce our cash outflow on the dividend over the next two years. We're looking at, as I said, sale of some smaller non-core, peripheral assets.

Plus, we're looking at obtaining some cash in full from the concept of these joint ventures on the -- accelerating the value on those longer-term assets that we wouldn't be getting to in the next five years. All-in-all, we expect debt to cap ratios to be very similar at the end of the five years as we have the day after the equity issue.

UNIDENTIFIED AUDIENCE PARTICIPANT:
Question for Rob or John on Sunrise. The $2.5 billion budget, how much of that would be in the upfront infrastructure that's going to benefit future phases and what type of reduction in capital intensity might you expect in future phases?

ROB PEABODY:
Yes, I can take that. I mean it's a relatively modest amount in the $2.5 billion, there's an air drone. There's a highway -- called a highway, it looks like a dirt road to me, but it's named a highway. There's some power infrastructure costs to the site, but you're still talking at sort of under 10% sort of pre-investment. The site's been cleared for future phases as well. So -- but it's more in that 10% area than it is anything beyond that.

In terms of future capital efficiency, I think this is one of the real benefits of John coming onboard too. We think we've got a very efficient project for Phase I, but as we're kind of are looking forward, I know John has a lot of ideas on his mind about how we can actually improve the capital efficiency of future phases.

UNIDENTIFIED AUDIENCE PARTICIPANT:
Yes, just another question for John. How have you guys been thinking about the co-generation for Sunrise for Phase I and future phases and the importance of power reliability?

JOHN MYER:
Thanks very much for the question. I'll start with the second one first around power reliability. We do actually have two different power grids coming into Sunrise. We're actually feeling pretty good about power reliability the way it's sitting right now. That's infrastructure that's put into place. We're feeling good about that.

If I take a look at co-gen looking forward, you need a minimum amount of load to actually justify the co-gen and extra pricing.

It really is going to be down the road and arbitraged between natural gas prices versus the -- however it's going to get. So this is very much of a forward-looking net. I think we will always consider co-gen as we're moving forward. There are some touch and thermal efficiencies, but to me it's more of a price bet, if we're going to actually put the co-gen in. All right, thanks for the question.

ANDREW FAIRBANKS:
Andrew Fairbanks, Banc of America/Merrill Lynch. The Board has chosen to go ahead with equity capital financing as opposed to a dividend cut now. Would you see on a go-forward-basis consent at the Board level although, that the dividend rate is sacrosanct, as you move past this 2011-2012-plus in a higher capital spending period?

ASIM GHOSH:
The Board actually makes a call on the dividend literally, quarter-to-quarter. I cannot give you a forward view or preempts the Board's view on the dividend. But I think you can read between the lines in terms of what we have said so far in terms of the plans we are putting in. And therefore, I can say this; that we have an investor base that likes the dividend and therefore, we have taken financing steps to maintain the dividend.

At the same time, we've positioned ourselves as a balanced growth company rather than a milk-the-cow company. How do you square the circle? You square the circle by putting a financing plan in place, which is what we have spoken to you about.

So effectively speaking, we're striking a balance between the two and if you're looking for psychological mindset, we are minded to maintain that balanced position for the Company.

ROB MCINNIS:
We have time for one more question.

UNIDENTIFIED AUDIENCE PARTICIPANT:
Just thinking about the Exxon acquisition that you announced earlier this week. Should we expect more similar type acquisitions, like that going forward?

ASIM GHOSH:
I wouldn't put myself into a box of saying yes or no. I think if a very attractive, financially accretive opportunity should come, obviously we would have an open mind to it. But, broadly speaking, our prime focus is organic and the bulk of the plans we are outlining to you today are organic. So when we set out on this path about six months ago, we said we want to do a measure of acceleration through acquisitions and organics steps, whether we're taking both of those. It just happened that one of the acquisitions turned out to be larger than we had originally set out to do in terms of a single piece and therefore, we were able to achieve in one step what we would have otherwise achieved in a couple.

I don't know if that answers your question. For the moment, we don't have any defining targets in mind, is the short answer to summarize our position.

UNIDENTIFIED AUDIENCE PARTICIPANT:
Okay, the acquisitions you have done this year, how much capital are you planning to spend on them going forward?

ROB PEABODY:
I don't have the precise numbers, but it's very modest. They were included in the capital. These are the virtue of mature assets, is actually -- the individual production wells are down on their production curve. You're no longer in the steep part of the production decline curve, so these actually require fairly modest amounts of capital maintain production going forward and that was all part of --.

ASIM GHOSH:
It's essentially a maintenance capital

ROB PEABODY:
Yes.

ROB MCINNIS:
I guess with that we will close the Investor Day. I'd like to thank everyone for attending.