Advisories

Forward-Looking Statements

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Thank you
Risk Management of the First Deepwater Project in China
Asia Offshore Energy Conference
September 27, 2012
Husky Snapshot

- Amongst largest Canadian integrated energy companies
- Balanced growth and dividend proposition
- Strong balance sheet positioned to commercialize a rich portfolio of growth opportunities
- Production ~70% oil bias
- Focused integration to reduce volatility and capture the Heavy Oil and Oil Sands value chain
## Strategic Building Blocks

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<td><strong>Upstream</strong></td>
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<td>Acquisitions</td>
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<td>Asia Pacific • Oil Sands</td>
<td>Oil Sands • Atlantic Region</td>
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<td>Transforming Western Canada and Heavy Oil foundation</td>
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<td>Value acceleration</td>
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<td><strong>Infrastructure and Marketing, Downstream</strong></td>
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<td></td>
<td>Remove volatility from heavy oil and oil sands by capturing differentials</td>
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Asia Pacific Energy Requirements: Rising Gas Demand in Asia Creates Opportunity

Source: Trizen China Gas Pricing report, Sept. 2011
Asia Pacific Growth Strategy

- Building a material oil and gas business
- Liwan 3-1 and Liuhua 34-2 developments expected to be on stream in 2013/14
- Madura Strait and Liuhua 29-1 gas field expected to be on stream in 2014/15
- Strong partnership history with CNOOC
Background

- Deepwater gas field discovered in June 2006 in 1,400m water depth
- Successfully drilled and tested three appraisal wells
- Satellite discoveries at Liuhua 34-2 and Liuhua 29-1
- First gas production targeted for 2013 / 2014
- Three fields under development
Block 29/26 Development

Onshore Gas Plant

Central Platform

MEG Package

Main Flowlines

Pipeline End Manifold

West Manifold

Liwan 3-1 Field
8 well development

Liuhua 29-1 Field
Future 6-7 well development

Liuhua 34-2 Field
Single well development

Deep Water Facilities
(Husky Operated)

Shallow Water and Onshore Facilities
(CNOOC Operated)

East Manifold

Liuhua 29-1 Field
Future 6-7 well development

Liuhua 34-2 Field
Single well development

MEG Package
• West Hercules – continuous operations 2008-2012

• Drilled 25 wells

• Water Depths: 700 m – 1800 m

• Conducted six Drill Stem Tests

1,000 days – No LTAs
No Environmental Incidents
Liwan Well Architecture Installed in 1,400m Water Depth

- 6 to 8 slot Well Manifolds
- Pipeline End Termination Manifolds
- Production Wells

6 to 8 slot Well Manifolds
Block 29/26 - Deepwater Development by Husky (Husky 49% W.I.)

Status

• Drilling work
  – LW3-1 / LH34-2 wells drilled
  – 10 lower completions and six upper completions installed

• Subsea Equipment
  – All 10 trees delivered and now installed on subsea wellheads in the fields

• Marine Installation
  – Final design / planning ongoing. All services contracted

• Mono-ethylene Glycol Unit
  – Unit to be delivered in September / October 2012
MEG Unit Construction
Block 29/26 Development: A Global Project Requiring World-Class Skills

18 sites in 10 countries are working on Block 29/26
Liwan Progress

• Project substantially progressed and major activities de-risked:
  – Engineering complete
  – Wells drilled and reservoir proven
  – Installation progressing as planned and within budget
  – First gas expected late 2013/early 2014

• Attractive returns
  – Oil-based pricing
  – Strong cash flow generation in 2014
  – Revenue split 49% / 51% with CNOOC
  – Exploration and Development cost recovery prioritized
  – Competitive tax and royalty rates
Shallow Water Development by CNOOC

- Platform among the world’s largest – in top 25
- CNOOC installing
  - Central Platform
  - 30” pipeline to shore – 260 km
  - Onshore gas plant – 800 mmcf/d
  - All scalable to 1,200 mmcf/d
- Separate gas and condensate and LPGs for sales compress gas
  - Transport 260 km to onshore gas plant
- MEG System – Hydrate Mitigation
  - Pump glycol to subsea trees and manifolds
  - Process the glycol offshore for recycle
- Five major projects to deliver:
  - Jacket
  - Topsides
  - Pipeline to Shore
  - Gas Plant
  - Panyu – 100% CNOOC project

PDMS 3 D Model Snap Shot
Gaolan Onshore Gas Plant and Energy Hub
Completion of Jacket Load-Out

COMPLETION OF JACKET LOAD-OUT JULY 20 17:00 HOURS
Liability and Insurance Challenges

• First deepwater project:
  – For China
  – For Husky Energy
  – Two partners each operating a portion of the project

• Scale and scope of the project:
  – One of the largest platforms in the world
  – One of the largest floatovers
  – Diverse geographic construction base

• Contracting and insurance processes
  – Different timelines

• Strong alignment
  – Safety
  – Environmental stewardship
  – Partner alignment

• Other challenges:
  – Weather
  – Insurance & financial market environment
  – Contracting environment
Contracting Strategy

• Minimize interfaces by tendering three EPC contracts
  - Subsea Equipment Supply (Husky)
  - Deepwater EPCI (Husky)
  - MEG Package (for CEP topsides)

• Competitively tendered all three contracts

• All bidders were deepwater industry leaders in the international offshore construction market

• Emphasis on proven deepwater technology

• Contracting with proven deepwater contractors

• Built on experienced leadership and project management team
Contractual Challenges

- Contracts negotiated before insurance program finalised

- Contractor concerns:
  - Other Assured Status
  - QA/QC provisions for contractor
  - Defective part buyback endorsement
  - Damage to existing property
  - Property in Care, Custody and Control
  - Deductibles

- QA/QC:
  - Project has dedicated QA Coordinator in the Husky team managing the subsea equipment supply contract
  - Project has dedicated QA / Welding Engineer in the central project team
Deep Water Insurance Coverage

- Construction All Risks (CAR) utilising Welcar 2001 policy wording
  
  - All contract works that will constitute the “deep” water element of Liwan (including the Liuhua 34-2 and 29-1 extensions) in Pearl River Mouth Basin, South China Sea, the People's Republic of China.
  
  - Policy period: 1 May 2011 to 31 December 2013; but not beyond 31 March 2014 plus 24 months maintenance
  
  - Covered as soon as they become Husky’s risk anywhere in the world, including while at contractors’ yards and in transit.
  
  - Underwriters: PICC Property and Casualty Insurance Co. Ltd; Ping An Property and Casualty Insurance Company of China Ltd; China Pacific Property Insurance Co. Ltd

- Contractor responsible for deductible on a “sliding scale”

- Company responsible for “gap” in deductibles / coverages
Insurance Challenges

- Husky Corporate Risk Management group in Calgary, Canada, Project Team in Shekou, JV Partner in Beijing; Insurance Brokers in Calgary, London & Beijing – 7 and 14 hour time differences

- Maintaining strong communications with J.V. Partners; Project team and Insurance Underwriters

- The scale and scope of the insurance program (and premium)

- Interface between the deepwater and shallow water projects; interface between Chinese direct underwriters and European reinsurance underwriters

- Emphasis on complying with local regulations

- Strong focus on Operational Integrity and Loss Prevention
Risk Metrics

<table>
<thead>
<tr>
<th>Cause Category</th>
<th>Risk Count</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>01 Contractual</td>
<td>47</td>
<td>15.4%</td>
</tr>
<tr>
<td>06 Project Organisation</td>
<td>42</td>
<td>13.7%</td>
</tr>
<tr>
<td>02 Equipment and Supply</td>
<td>37</td>
<td>12.1%</td>
</tr>
<tr>
<td>05 Interfaces (Technical)</td>
<td>36</td>
<td>11.8%</td>
</tr>
<tr>
<td>12 Partners / Stakeholders</td>
<td>31</td>
<td>10.1%</td>
</tr>
<tr>
<td>03 Environmental (Weather)</td>
<td>27</td>
<td>8.8%</td>
</tr>
<tr>
<td>07 Technology</td>
<td>26</td>
<td>8.5%</td>
</tr>
<tr>
<td>09 Financial / Economic</td>
<td>20</td>
<td>6.5%</td>
</tr>
<tr>
<td>10 Country / Government / Political</td>
<td>19</td>
<td>6.2%</td>
</tr>
<tr>
<td>04 Regulatory</td>
<td>18</td>
<td>5.9%</td>
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<tr>
<td>08 HSE</td>
<td>6</td>
<td>2.0%</td>
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<tr>
<td>11 Marketing</td>
<td>4</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Total Distinct Risk Count 306

Risks identified and an effective management plan established and implemented to mitigate
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