



HUSKY ENERGY

2019 INVESTOR DAY WEBCAST

TRANSCRIPT

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Senior Vice President, Heavy Oil & Oil Sands

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Senior Vice President, Western Canada

Jonathan Brown

Vice President, Production Operations, Atlantic Region

Robert Hinkel

Chief Operating Officer, Asia-Pacific Region

Janet Annesley:

Good morning, everyone. If I could just ask you to please find a seat. I'm Janet Annesley, Senior Vice President of Corporate Affairs here at Husky. I've been at Husky now for about two years, and my responsibilities in Corporate Affairs include investor, government and Indigenous relations. Prior to joining Husky, I served as Chief of Staff to Canada's Minister of Natural Resources and held a variety of stakeholder engagement, communication, and policy positions at Shell and the Canadian Association of Petroleum Producers.

It's great to be back again here in Toronto, especially on the heels of such a great win on Saturday night. A few of our team traveled out early to take in the Raptors game. In fact, you'll still hear the effects of all that cheering in Gerald's voice a bit later, and just such a wonderful occasion for Toronto but I think now all of us from Calgary are taking this as a wonderful occasion for Canada. The Raptors are no longer Toronto's team, they're actually all of Canada's team. Go Raptors.

Back to business. We'll follow a similar format as last year this morning, as we provide an update to our five-year plan. First, however, a few important matters.

First, all the emergency exits, as you can see, are clearly marked. If we need to use them, please look to the hotel staff to guide you. Also, if you left a small black carry-on suitcase over by the pay phones, please see the check-in table on the way out, as it's been moved.

Finally, if you can please take a moment and turn your cellphones to silent until the presentation and Q&A session has concluded. Thanks.

Here's our agenda for this morning. We'll start off with Rob Peabody, who will provide a refresher on our value proposition and walk us through an update of the five-year plan. Rob will introduce you to our new Senior Vice President of Safety & Operations Integrity, Peter Rosenthal. Peter will review the safety initiatives underway, and then I'll be back to talk about environmental, social, and governance initiatives and performance. Jeff Hart will update the financial strategies and priorities that back-stop the five-year plan. Rob Symonds will outline the strategic importance of the integrated corridor and offshore businesses. He will also talk about technology, and how it's being used across both those segments, and then we'll take a few to

stretch our legs and refill the coffees. Following the break, Jeff Rinker, Andrew Dahlin, and Gerald Alexander will give an overview of their respective links along the corridor and how these assets deliver more than the sum of their parts. They will be followed by Jonathan Brown and Bob Hinkel, who will speak to the offshore business. We'll wrap up the morning with a Q&A, and the Management team will be available to chat with you over lunch.

Finally, a reminder that our presentation today includes forward-looking information, which is identified in the advisory at the back of the package, along with the assumptions and risks on which the forward-looking information is based. Unless otherwise stated, all figures today are in Canadian dollars.

So, thanks, and now I'll turn the floor over to Rob.

Robert Peabody:

Thanks, Janet. I'm trying, and I do some homages to my predecessor every once in a while and one is try to remember to do up my top button when I stand up at a podium. He was very, very clear about how you should dress, as some of you who have been here a little longer will remember.

Just before I start on sort of my prepared remarks, I was going to say a few words. Just coming out of some of the discussions I've had with some of the people that were here early and just thinking about a little bit overnight. First of all, I wanted to thank you for joining us here today, and I say that because this is a very interesting time in terms of the money management industry where you may call a meeting for a bunch of people to come and listen to an oil and gas story and why you should invest in oil and gas, and you might be not sure that the room was actually going to fill up, which is very different from the past. There's clearly, clearly, one, thank you for coming. I appreciate your coming to hear our story and to hear a story in a sector that at the moment is kind of fairly unloved. In general, oil and gas and energy is pretty unloved and Canadian—you could almost say Canada's fairly unloved in the investment community globally, and Canadian oil and gas is really quite unloved in the investment community globally at the moment.

I thought I'd just be—so what's the result of that? What are we seeing? We're seeing Canadian oil and gas companies trading at fractions of their NRVs even on a risk basis. Either that's an opportunity or it's a very clever perception about where value should really sit. I thought it's interesting because to me that still feels like quite a disconnect, and the real question for this room and for many other investors of course is, is that discount warranted? Is it appropriate that companies be valued at this level in the sector? I'm not talking about Husky, although it certainly is something that affects Husky. Ultimately, that's a judgment the financial markets will make, not me or anybody else.

But I thought it was interesting to just contrast that at the moment with how the business feels like on the ground when you go in and work everyday and look at what the business is doing because at the moment, certainly for us and for a number of other of our peers, I would say, but for us I can only talk to, we're generating strong and improving free cash flow, earnings and cash flow are up strongly over the previous year, demand for our products has never been stronger in the history of the planet and it's growing. In Canada, over the past number of years has grown to be the fifth largest oil producer in the world, something that's easy, we lose track of every once in a while, I think, as well, and the industry has made impressive gains also on the environmental file. One good example is in oil sands. If you take the oil sands sector, we've reduced greenhouse gas intensity by 25% over the last decade, really bringing us into line if you look at the whole sector with U.S. levels of emissions around CO₂ overall for an average barrel of fuel.

So, lots of good stuff has been done there. I know, certainly, again, within Husky, and we'll talk about it a little bit today, is that technology, the new technology's coming on, AI, machine learning, and things like that, hold huge promise to help us further reduce emissions but also drive down costs, and again, improve the underlying fundamentals of the business. Particularly true in the case of Husky, because I hope what you'll see from this presentation is this is becoming more and more of what I would call a manufacturing story.

The core of our business, the integrated corridor is more of a manufacturing business than a traditional oil and gas business, we're not looking for resources, we're just trying to turn those resources into the products we all use, whether it's gasoline, jet fuel, petrochemical feedstocks, etc. at the lowest possible price, and because we're turning this into a manufacturing business I

think it gives us a great opportunity to ultimately be the low-cost producer of those products, and that's certainly what we're aiming to do. Actually, when we look back at, say, the last five years in the industry, not just myself, but my colleagues at peer companies, I think the sense of a lot of progress has been achieved, and there's quite a lot to be proud of what's been achieved, but conversely, there's a lot of potential going forward, and we feel there's a lot of potential to further drive results in this business. What's interesting, at the same time, there's been a massive amount of consolidation or people exiting the business in Canada. So, what's actually happened is competitive intensity has also dropped. We don't face the cost pressures that we see in other parts of the industry and other parts of the world where things are much more active.

Finally, I'd just say in some ways maybe we haven't been our best, our own best friends in that I think all of us in my position, at peer companies also, have been trying to wake up government to the fact that they need to support this industry if they're going to have a prosperous country in Canada. In doing that, we sometimes probably have a tendency to talk down or talk up the challenges we're facing. Now, there's no doubt we're facing a lot of challenges, but I think we're starting to make some progress. Even on the political front, we've seen a new government in Alberta that's come in that's pretty determined to actually make conditions better for business and there's already a lot of discussion going on with that government, but I think they're going to be reasonably pragmatic in their approach to it, but I think it's a good story.

Then if we look across Canada, we've seen a number of other political developments that are really the result, I think, of voters starting to say, look, jobs really matter, employment really matters, prosperity really matters. So, we're starting to see some changes there as well. Tonnes of ways to go on the political front, and Canada has still a lot to do to improve its regulatory environment to catch up with our neighbours to the south, but I think there are some glimmers of hope on the horizon there as well.

So, really, all I wanted to do is—I think today is a little bit about contrasting maybe the overall investment perception of this market and these companies with what's really going on on the ground and the potential for those companies going forward. I hope this presentation, as we go through it, will give you a little bit of—will bring into a little bit of sharper relief maybe the

differences between those two worlds, and then, ultimately, hopefully, everybody can make their own judgment.

With that, I'll go on to what I was supposed to say. I can't go off script like that in the rehearsals, or the lawyers get involved. Again, just thanks everybody for joining us. You'll recognize hopefully most of our Senior Management team from last year, those of you who were with us last year, and we look forward to meeting you after the presentation. There'll be a little bit of lunch and that to keep you going, and it'd be nice to have some further chats.

I wanted to start first today by talking about safety and reliability and make the absolute clear point that improving process, safety, and reliability at Husky is the number one objective of the entire team at Husky. Last year, I outlined three actions we were going to take to improve process and occupational safety at Husky, and I'd like to provide you an update on our progress.

First, we said we'd align compensation, including the bonus, more tightly with our safety performance. This has been done. You can see this link in the 2018 Management Information Circular that was released in March, and it's on our website.

Secondly, we announced we would create a new SVP level position for safety and operations integrity. Peter Rosenthal will talk about his priorities after my section. He has nearly three decades of experience in process and occupational safety and operations. He sits at our Leadership table, reporting directly to me, which means he has input into all major decisions to provide an additional safety oversight at the Executive level. Sorry, always have to—this is the time of year I start taking all those allergy pills and they dry my throat up.

Over the past year we've been working with experts to incorporate operating principles adapted from the U.S. Nuclear Navy into our operations and assessments have been completed at all our major sites and follow-up actions are underway. That was really all about our third commitment, which was to improve Husky's operational integrity management system, or HOIMS, by adopting the principles of a high reliability organization. We also know our efforts to become a high reliability organization will have tangible financial impacts, as an improved track record and process safety is directly correlated to improved reliability and performance.

Beyond making our operations safe and reliable, our ability to create value starts with the quality of our asset base. We are growing returns by investing in our two businesses: Integrated Corridor and Offshore. Each of these has its own sustainable competitive advantage. The Integrated Corridor contributes about 70% of our cash flow. The corridor is a unique interconnected value chain that crosses the Canadian/U.S. border and captures global pricing for our products.

Our Offshore business has a strong track record of profitability and enduring relationships in Asia and in the Atlantic region. This is a high netback business, which also captures global pricing for our products.

In both of these businesses, ultimately, our revenue stream is linked to Brent oil pricing. We remain committed to these two businesses. When you take into account our strong balance sheet, our level of integration, and our long-term gas contract in Asia, we are both resilient and well positioned to the upside.

Now, let's look at each business, starting with the Integrated Corridor. The purpose of the corridor is to manufacture and supply refined products to meet market demand. We own every piece of the manufacturing kit, from the wellheads to the refinery racks. This provides us with the most opportunity to extract the most value from every barrel we produce. The end of the value chain delivers finished products, including gasoline, jet fuel, diesel and asphalt and petrochemical feedstocks. Just like in any manufacturing process, our job is to optimize margins along the way. We do this by maximizing revenue, minimizing operating costs, maximizing capital efficiency, improving optionality, and increasing the quality and speed of our commercial decision-making process.

Running a manufacturing process also allows us to gain greater efficiency through repetition. For example, in our Thermal business, we are building the same long-life modular facilities again and again. By running our barrels through an integrated value chain over and over again, we continue to reliably improve our margin capture. Along the corridor, we are applying new technologies to lower cost, improve capital efficiency, and lower emissions.

The Integrated Corridor is a growing business in a growing market. Here you can see the market demand forecast for these end products over the next 20 years or so, based on research from groups such as the International Energy Agency, WoodMac, and OPEC. All of them show growth in the coming decades. The demand is being led by factors such as population growth, as the world adds more than two billion people over the next three decades, and increasing wealth.

For example, as the tech economy continues its upswing, it creates a greater need for refined products. Changing customer behaviour, and particularly the desire for more convenience, is driving demand for jet fuel. It's interesting that Amazon, even now, has its own airline. Driving services, like Uber, are attracting customers who might otherwise use other modes of transport, and this has implications for gasoline demand. Diesel demand is being driven by factors such as increased use in marine shipping fuel as a result of the IMO 2020 rule change. Asphalt will continue to see strong demand in North America as spending is required to repair aging infrastructure. Demand for petrochemical feedstocks is forecast to keep growing with large additions expected to petrochemical processing capacity.

Husky is well-positioned to meet this growing demand for refined products, and with our integrated corridor, we aim to be the low-cost producer of these products. Here are the few initiatives we're taking across the corridor to improve margins. In terms of increasing revenue, our journey to a high reliability organization will also improve up-times. We're seeing meaningful growth in our Thermal production, which is being matched by our investments to further increase downstream throughput and heavy oil refining capacity. For cost reduction, the biggest impact has been the structural transformation we've been making over the last several years, the move to thermal heavy production and the sales of all our non-core Western Canada assets. We're also doing things more efficiently by leveraging existing infrastructures and using operational hubs, which you'll hear about a little later.

We continue to build in optionality across the whole value chain. For example, we are increasing our ability to produce heavy oil at Lima to 40,000 barrels a day this year, and increasing our diesel output at the Lloyd Upgrader. We are also taking steps to improve the speed and quality of our commercial decision-making. One of the biggest changes was implemented by Jeff Rinker in our Downstream business. We have reorganized our whole Downstream business into

four focused teams: Manufacturing, Trading, Supply and Logistics, Marketing and Optimization. This has led to a tangible improvement in results. Jeff will speak more to this in a few minutes.

I also want to note the important contribution that technology is making to improve performance. Rob Symonds will talk a little more about this in his section. This includes initiatives in carbon capture, utilizing artificial intelligence and implementing remote well monitoring on a wider scale.

To illustrate how we've been enhancing margin capture, here is how margins across our integrated corridor stacked up in our recent quarter compared to the first quarter of 2018. We use this particular timeframe because the headline Brent price, which the corridor is designed to capture, was about the same in Canadian dollar terms over this period at about \$84 a barrel. For transparency, we're using operating margin calculations that can be pulled directly out of our reported segmented financials.

There's also table in the advisories we provided that provides a full reconciliation. The blue bars on the left of each chart here represent revenue streams. The gray shows all associated costs. The green reflects our remaining operation margin after cost. Included in these figures is a positive FIFO impact of about \$100 million in 2019, but the balance of this uptick, more than half, is driven by factors within our control. Due largely to margin enhancing initiatives we've been implementing, we are now essentially able to get more with less.

Turning to the Offshore, similar to the Integrated Corridor, we are in a business of supplying products that will be in high demand for decades. In Asia-Pacific, gas demand projections reflect China's efforts to transition from coal-fired electricity to cleaner burning natural gas, as well as their increasing GEP. China will actually account for more than 35% of the global increase in natural gas consumption between 2017 and 2023, and that's more than any other country.

In the Atlantic region, where we produce crude oil, global demand for that product continues to be robust. I have to remind myself sometimes that today's demand for oil is the equivalent to over a billion barrels consumed every 10 days, which is pretty amazing when you think about the last time we found a billion barrel oil field. So, demand is still strong, and it's still growing. Our crude from the Atlantic has direct access and isn't exposed to the type of egress issues affecting some of our land-locked peers in Canada.

Our two Offshore business segments are complementary. In Asia, our natural gas business benefits from attractive long-term gas contracts, and our liquids benefit from strong regional demand, particularly from the petrochemical sector, and we achieved world prices or even better than world prices in the petrochemical sector in Asia compared to what you would get in Europe or the United States for those liquids. In the Atlantic, our West White Rose receives a premium price to Brent, and this provides torque to Brent prices, especially with production growth that we're going to see when West White Rose comes on in a few years.

We also use existing infrastructure in both regions, meaning we're building out and tying back to realize greater cost efficiencies. As a result, the offshore business has been self-funding, and you can see that in these little black lines, the positive cash flow after capital, while providing for future growth and giving us greater stability of funds from operations and free cash flow.

Our capital program over the last several years has been directed towards projects that continue to improve our cost structure. This, coupled with active portfolio management, which consists of selling high-cost, non-core production, has resulted in a real structural transformation of the Company. This has put us in a good position compared to our peers, and there's just several comparisons on those charts.

This slide reflects some third-party bank research. On the top left, our Upstream per barrel operating cost ranked pretty well. On the bottom left shows how we rank in terms of supply costs, and this is really a measure of how efficiently companies are able to replace their proved developed reserves. This speaks to the quality of the project inventory of the Company. On the right is the oil price we require to fund our sustaining capital requirements and the current dividend. You can see we screen reasonably favourably compared to our Canadian peers.

We have a rich portfolio of opportunities in which we are investing that will further advance our structural transformation. On the left are our major projects. Everything we consider must meet our hurdle rate of 10% after tax IRR at \$45 WTI, and we continue to expand our portfolio of investment options. In 2018, we added about 280 million barrels of oil equivalent in proved reserve additions and revisions. The reserve life index for the Company now stands at 13.5,

meaning we have enough proved reserves to produce at current rates for that period. I also have to point out that our bitumen reserves alone have a 2P reserve life of 38 years.

Now, let's get to the updated five-year plan, starting with the changes since the last update. At a high level, we've broken out these into three areas: strategic, financial and operations. We'll touch on each area as we go through the presentation, but generally, the biggest changes were driven by our desire to focus the business on generating higher levels of free cash flow over the plan. This was achieved by reducing the spending and growth in our Western Canada resource play business and pacing our Thermal production growth in light of current production quotas imposed by the Alberta Government and basin egress issues.

The plan also assumes the divestment of retail and the Prince George Refinery, although no proceeds are included as the process has not concluded. We also included a number of operations enhancements in the Downstream that have or will improve our operating margins going forward.

In the plan, the plan is based on our price assumptions of a flat US\$60 WTI, consistent in that, we did that also because it's consistent with what we used at last year's Investor Day. You can see here on the top right, production growth has been tempered because of the reduced capital profile, and that's just shown in here, but still grows by about 100,000 barrels per day over the five-year planned period. So, still a reasonable level of growth.

We have pulled out over \$1.7 billion of capital over the plan, and the net result is a more robust free cash flow profile. Free cash flow generation over the plan, shown in the middle, is now around \$8.7 billion of which \$800 million is expected to be delivered this year and another billion next year.

As I mentioned, keep in mind that we also have substantial proceeds from the sale of Prince George Refinery and the retail business, which are not reflected here, assuming that process closes.

As Jeff Hart will highlight in his section, our bias will be to accelerate returns to our shareholders through sustainable cash dividends, and you can see there's quite a lot of room to do that.

Let's break this down a bit further into the two businesses, starting with the Integrated Corridor. This slide, which is similar to the one I showed you earlier, illustrates how we expect to expand our margin capture across the entire value chain over the course of the next five years. As a result, operating margins grow significantly under our flat price assumptions. Jeff will take you more in the flat price assumptions, but we're also using a flat price crack spread in the United States. So, we see the operating margins grow from \$3.6 billion this year to almost \$5 billion in 2023, which is an increase of about 30%.

In the Offshore, we are continuing to expand our high netback business. There's a significant increase in free cash flow in this segment as our in-flight projects come online. The offshore will generate substantial free cash flow from 2021. Projects contributing to this growth include the 29-1 field development at Liuhua, the startup of West White Rose, and new production from the next-generation of gas projects offshore Indonesia. The offshore free cash flow profile in 2019 and 2020 is a bit lower than last year's plan, as it reflects some cost pressures we saw in the Atlantic and some regulatory delays in Indonesia. However, we've more than made up for this over the planning period with other adjustments.

As we continue to grow our margins and revenue across the business and reduce our cash breakeven oil price over the planned period, we are increasing our ability to generate greater funds from operation and free cash flow. Here, you can see the breakdown between our capital expenditure requirements in blue and the free cash flow in green, as we go out through the plan period. As a result, throughout the planned period, we'll have an additional ability to return cash to shareholders.

To sum up, you might remember this graphic from last year's investor presentation. It shows how we're continuing to improve our margins through an investment cycle, and that underlying business model has not changed. We now added an outer ring to this graphic to reflect our focus on becoming a high reliability organization and how integral that is to delivery of the plan. We are using the incidents we've experienced as a catalyst for real change within the organization. As we've advanced our plan, it's with a firm focus on improving safety and reliability.

With that, I'm going to ask Peter to come up and discuss his priorities over the coming months. Thank you.

Peter Rosenthal:

Good morning. My name is Peter Rosenthal. I'm the new SVP of Safety & Operations Integrity here at Husky. This is my first investor day, and I'm looking forward to meet with many of you here after our Q&A session.

I joined Husky just two months ago, but prior to that I worked about 30 years in industry, across industry, with 25 years in the oil business, including senior operations and senior safety roles with companies such like Elf, now Total, Hess, Reliance and BP. Process safety and operational excellence has always been at the heart of my work, both in operations leadership roles as well as safety leader roles.

I joined my last organization, BP, just after Macondo, and I've seen firsthand the tremendous impact a major accident can have on an organization. I've also learned and seen that if used in the correct way, as Rob talked about, this can be a real strong driver for operational excellence so it never happens again. I see my role at Husky to assure that we do everything possible to become operationally excellent. Throughout my years, I've learned a little bit about what good looks like, what good process safety and operational excellence looks like, and that's it.

We are operationally excellent and systematic and controlled. When our requirements are turned into procedures and processes that are documented, have clear accountabilities, competencies that can be demonstrated. Last but not least, somebody needs to check that everything is done consistently in the field as it's supposed to happen, and then we have to continuously improve based on that feedback. It all has to be built on a really strong foundation of leadership and HRO principles. It sounds very easy and simple, and actually, it is, but it's just a lot of hard work because we have to apply these principles across everything we do.

Husky is working on implementing the HRO principles as we evolve into a high reliability organization. These principles are knowledge and learning, standards and procedure compliance, follow the procedure every day, every time, also when nobody is looking, having a questioning attitude, team backup, and doing everything with integrity. I've seen what Husky has

done this past year, and I know we are on the right course. Now we are ready to take it to the next level.

During my time in Husky, my priority has been to visit operations, meet people and to listen and understand. I've met with the Board and its Health, Safety and Environment Committee, the Senior Management team, my team, and other internal stockholders, and I have familiarized myself with current safety programs and the culture, the safety culture, of the Company. So far, I visited the Lima Refinery and the Lloydminster complex, and today I'm off to China later today. An important part of this has been to look, listen, and really get a feel for our operations, what are we good at, and where do we need to focus the next couple of years. This work has included redoing some of our incidents, safety related incidents, we have had over the past years.

From what I've seen to date, there are clear signs that Husky is on a good trajectory to becoming a high reliability organization. The Board and Senior Management are committed to becoming a worldwide top quartile process safety performer and truly believe that excellence and process safety leads to general operational excellence. Hence, sustainable, predictable business results. That's quite unique, actually, for a company to have a Leadership team that is so committed to this goal. I've also seen that a high reliability organization of principles are starting to take hold at the front line and is already making an impact. We are now moving to further strengthen operations discipline, the quality of operations, the standards and applying a consistent approach across our assets, all leading to excellence. Like all our organizations, we have opportunities for improvement, right from the front line all the way to the Executive Officers. My job is to systematically and relentlessly drive this improvement process.

In terms of top priorities over the next few months, I'll finish my go, see and assess our visiting all our major assets. I'll be working with my team, adding more expertise as needed, really to deepen our process safety and understanding and culture at the asset level, with a specific focus on lowering our risks and having fewer incidents. Our Safety team will focus on three areas in the next few months: strengthening our requirements, support and take over the HRO implementation and improve the operation of risk processes we have in the Company.

To be clear, this is not a new path for Husky. The Company has been working to incorporate processes and systems across the organization over the past decade, and especially the Company's occupational safety performance has improved considerably, but we need to do more. We really need to focus on process safety and get that right. I, by the way, believe that if you're really good at process safety, you'll be good at occupational safety but not necessarily the other way around. To become world-class in this area, to become world-class in process safety, we need to accelerate our change—our pace of change. We need to improve faster than our competition. Our long-term objectives are that the HRO principles will become the real backbone of our culture and our drive for operational excellence, including the development of a strong continuous improvement process.

That's my job ahead and that's our job ahead. I'm very pleased to be here at Husky working with the Leadership team of this quality and to lead a very strong Safety and Operations Integrity team that will be driving our journey to become world-class. As we renew our commitment to safety, we're also improving our reporting of the environment, social and governance issues.

For that, I will turn over the mic to Janet. She will give us an overview and an update on our ESG progress and plans over the coming years. Thank you very much.

Janet Annesley:

Thanks very much, Peter. Safety is a big part of our environmental, social, and governance performance. We recognize the increasing importance of ESG topics to investors, our stakeholders, and our employees. As such, we've raised the profile of ESG performance throughout the organization. Like Peter, I report directly to Rob, and ESG performance is represented at the Leadership table. As part of our commitment to improving our performance and increasing transparency, we are building out and increasing the profile of the entire ESG team.

I'll start off with a plug for Canada and the Canadian oil and gas industry. The chart on the right was produced by BMO. The data in the chart comes from highly credible sources, like the Yale Environmental Performance Index and the World Bank's Governance Indicators Benchmark. These indices show that Canadian companies in aggregate have top ESG scores when compared to major oil producing nations. Canada adheres to high standards across an entire

spectrum of ESG topics ranging from environmental policy, social welfare, political stability, regulatory oversight and corporate governance. Next to Norway and Denmark, Canada ranks best among major oil producers, and Canada ranks number one in the world on the Social Progress Index.

A survey published in 2014 by Worley Parsons specifically ranked Alberta as the most responsible jurisdiction in the world, just in front of Australia, in the area of oil and gas environmental policy. Most of Husky's operations are in Canada and the United States, in BC, Alberta, Saskatchewan, Manitoba, Newfoundland, and the American Midwest. This means we work in some of the most rigorous regulatory climates in the world. When we operate in other jurisdictions, we adhere to the same high standards as we do back home. The world needs more energy, and Canadian companies are in excellent position to provide it responsibly.

Let's look at what Husky specifically is doing to up our game in ESG performance and reporting. Last year, we took a close look at the ESG topics of greatest importance to us and our stakeholders. We have further refined this process and better focused on nine priority topics, which you can see here. These topics form the basis of this year's ESG Report. You can find the full report on our website at huskyenergy.com/ESGReport. I'll just touch on a few highlights of our ESG performance.

With respect to air and water, at Sunrise and Tucker for example, we are using less energy to produce more oil. This is reducing our greenhouse gas emissions intensity while also reducing our per barrel operating costs. In the Atlantic region, we reinject most produced natural gas, largely eliminating the need for routine flaring. At Liwan, our natural gas is used to generate electricity in Southern China. This is a much cleaner source of energy, and it's helping to replace polluting coal-fired plants in China.

In terms of our water use, overall water withdrawals are trending lower. We recycle nearly 90% of the water we used at Sunrise last year, and at Tucker we used mostly saline groundwater and recycle more than 80% of the water that we use to generate steam. At the Lima Refinery, we also reuse much of the water from the refining process. We'll hear more about that later this morning from Jeff Rinker.

We also continue to advance numerous technologies through our own efforts and also through industry groups, like the Canada's Oil Sands Innovation Alliance, to improve efficiency at our own current and future projects.

Husky is a recognized leader in asset retirement for proactively and sustainably managing older and inactive projects through to closure. We're one of two companies that pioneered the process we call Area-Based Closure, or ABC. This means that we tackle entire areas at once rather than in one-off efforts. As a result of ABC, our asset retirement activities have become more efficient and more cost effective, including well abandonment, pipeline and facility decommissioning, site remediation, and reclamation. We also recycle and reuse as much of the decommissioned facilities as possible. With the support of the Alberta energy regulator, we actively share this approach and our learnings with our peers.

The social and governance aspects of ESG carry equal weight through our commitment to environmental responsibility. Our social performance includes further growing the culture of inclusion by attracting, retaining, and supporting diverse talent across the Company. We have a strong focus on engagement with Indigenous Peoples, particularly in the area of economic inclusion. In 2018, we signed 40 new strategic partnerships with \$30 million in contracts with Indigenous vendors. In Saskatchewan, we worked with First Nations to enhance economic and employment opportunities associated with our Thermal operations, as well as promoting education and skills development.

In terms of corporate citizenship, we support groups that promote skills and education, energy innovations, safety, and community resilience. Our ESG programs are managed through corporate risk strategies and our continual ESG assessment process, including review and approval by Senior Executives. We also ensure that our supply chains are aligned with our criteria for health and safety, environmental quality, technical competence, and Indigenous content.

In closing, Husky is a responsible producer, and we will continue to work to improve both our performance and our transparency around ESG topics. Our team will also be proactively engaged on ESG performance with our stakeholders, including all of the folks in this room, debt and equity investors, rating agencies, banks and research analysts. With feedback from you and

other stakeholders, our aim is to continuously improve our performance and our disclosure of that performance.

Thanks very much. I'll now turn it over to Jeff Hart to take you through our financial strategy.

Jeff Hart:

Thanks, Janet. Good morning, everyone. I'm Jeff Hart. I've been the CFO at Husky for a little bit over a year. A little bit about myself before we get into reviewing the financial framework. I've been at Husky since 2010. Prior to that, I've worked in the finance functions in offshore, oil sands and petrochemical operations at Statoil, Norsk Hydro, and Imperial Oil. At Husky, I've headed up Upstream and Downstream finance, corporate accounting, process governance, as well as a variety of other roles throughout the organization, and I'm looking forward to talking to many of you at the break and after the session.

Now, let's take a closer look at some of the assumptions and figures that underpin our financial plan. The big take-away is the increased free cash flow over the plan, driven by reduced levels of capital spending, which will allow more room to accelerate growth of a sustainable cash dividend. I'll start off with a deep dive on our pricing assumptions. They're generally unchanged from last year, with WTI of \$60, and a Chicago crack of \$16. We have raised our assumption of the Chicago crack in 2019 to \$18 to reflect our actuals to-date and the current strip pricing, but we have held it constant through the remainder of the plan period. We've also changed our pricing assumptions on the Canada/U.S. exchange rate to \$0.75 from \$0.80, which better reflects today's reality and current environment, and it does create a bit of tailwind for us as we have a large U.S. refining business and the majority of our revenues are earned in U.S. dollars, whereas the majority of our expenditures are denominated in Canadian. Not shown on the slide are our Brent pricing assumptions at US\$66 in 2019, moving to US\$64 for the remainder of the plan. Given our integration and U.S. refining assets, our business is being driven by Brent pricing.

Second, we have reduced our average annual CapEx, which is largely driven by lower investment in our Western Canada resource plays, less spending in the Thermal business as we pace growth to align with egress, and less spending in Indonesia as regulatory delays have caused us to push out some capital by a year. On average, we've reduced capital spending by

\$350 million per year versus last year's plan, for a total reduction of over \$1.7 billion through the five-year period. As a result, cumulative free cash flow over the plan has increased to \$8.7 billion. We've also slightly adjusted our debt targets to two times funds from operations at \$40 WTI, versus \$35 previously, and this more closely reflects our view of pricing at the bottom of the cycle.

Finally, we have no need to allocate any free cash flow to debt repayments. Our debt actually goes negative by the end of the plan. This is only because we have kept our dividend constant for planning purposes, which means we have plenty of room to return cash to shareholders. This slide gives you a snapshot of the free cash flow our assets can generate under our plan assumptions. On the very left-hand side, you can see the funds from operations generated at \$60 WTI, and it's just over \$4 billion, which leaves us free cash flow in the year. At \$40, it shows that we can generate enough funds from operations to comfortably cover sustaining capital and a portion of the dividend.

Moving to 2023, which are the bars in the middle of the slide shown here. As we execute the plan, the cash generated from our asset base and our margin capture materially improve. At \$60, we expect to generate \$5.8 billion in funds from operations and \$3 billion in free cash flow. With a lower gross spending profile in 2023, we will be able to cover our entire CapEx program, including growth capital and the current dividend, at US\$40 WTI. On the right hand of the slide, it shows some current cash flow sensitivities we have to the key variables in the plan.

Now I'd like to talk to our funding priorities. In order of importance, it starts with maintaining the strength of our balance sheet. This is followed by funding our sustaining capital requirements and the dividend, then we'll fund our growth CapEx and, finally, we'll allocate any remaining free cash flow with a bias to increasing shareholder returns.

Let's go through each of these priorities in more detail.

First, maintaining the strength of our balance sheet. This is one of the biggest differentiators for Husky. We have no need to allocate any free cash flow to debt reduction, and we have set our debt limit, as I said before, so as not to exceed two times net debt to funds from operations at the bottom of the cycle, which is now US\$40 WTI. You'll see on the left, at \$40, we generate

about \$2 billion in funds from operations. So, two times that is about \$4 billion. The green bar shows our current net debt as \$3.4 billion, meaning we have about \$600 million of headroom, if we need it, on the balance sheet.

Now fast forward to 2023. By this time, we'll have executed the plan, grown production, and lowered our cost structure, and our expected funds from operations at \$40 is about \$3 billion. This means we have a debt limit of about \$6 billion, and under our price planning assumptions, our cash exceeds our total debt. Therefore, we have incremental headroom on the balance sheet of about \$7 billion. In practice, we won't allow this to happen, but it does indicate ample balance sheet flexibility to enhance returns to shareholders.

Our next priority is to fund our sustaining and maintenance capital requirements. We define sustaining capital as what's required to keep our Upstream production flat and to keep our Downstream assets running safely and reliably. Currently, we estimate this is around \$1.8 billion, with the Downstream coming in at \$500 million per year and the Upstream the remaining \$1.3 billion.

The next priority is the dividend. Over the course of the plan, we generate significant free cash flow after growth CapEx to comfortably grow the dividend. In the 2019 and 2020 timeframe, we have large expenditures earmarked for midterm developments, including HOG Thermal, West White Rose and 29-1; however, we still expect to have excess free cash flow to allocate. This, combined with our balance sheet strength, means we are well-positioned to return cash. We are committed to maintaining and growing the current level of dividend. As we move through the plan to 2021, we generate more than three times the amount of free cash flow to cover the current dividend, ultimately growing this free cash flow coverage to about six times in 2023.

Let's focus on growth capital. These charts provide a breakdown of CapEx by year and how it compares to our 2018 long-range plan. At a high level, capital spending has been reduced on average by \$350 million per year, to \$3.15 billion annually, and goes down to \$2.8 billion in the last year of the plan. This reflects a total five-year decrease of over \$1.7 billion. Capital spending on Thermal projects was reduced by adjusting the pace on our Lloyd thermals from two projects per year to three every two years. We've also deferred expansions at Sunrise and reduced spending in our Western Canada resource business. All of these projects remain in

Husky's portfolio, but we decided to adjust their timing to maintain capital efficiency, live within Alberta's production quota limits and balance the risk of export pipeline access. Overall, as a result of lower capital spending, we will generate more free cash flow.

The growth program though is important to us, as Rob talked to earlier. It's what drives the improvement in the cost structure and increases the cash generating ability of our assets.

Here's how our capital's working to improve our metrics. As we execute the capital program, we'll bring down our Upstream operating costs by more than \$3 a barrel, trending towards \$11 at the end of the plan. It will reduce the oil price we require to be cash and earnings breakeven. Lastly, all of this, coupled with production growth, allows for a significant increase in funds from operations from around \$4 billion today to near \$6 billion at the end of the plan, which is about a 40% increase over the plan period.

Our final priority is to allocate the discretionary free cash flow that we generate above and beyond covering the current dividend and the CapEx program. There are three uses for this.

First, we will ensure the strength of the balance sheet. Next up, our bias is to return cash to shareholders. The third use could be accelerating growth. From a balance sheet perspective, we've already demonstrated the significant capacity, so there's no need to allocate cash there. That leaves us to look at the next use, which is to grow the dividend.

Here you can see along the bottom of the large chart is you've got the current dividend rate. Sitting above that is the incremental free cash flow we have yet to allocate. We clearly have room to grow the dividend. Our bias is to increasing these returns via sustainable cash dividend rather than growth acceleration.

Turning to growth, from an organic perspective, our Upstream production is growing at about 8% per year, however we normalize that for the Alberta production quotas and the Atlantic ramp-up, this would be closer to the 6%, and it's unlikely we're going to accelerate organic growth given our focus on preserving capital efficiency.

In terms of inorganic growth, we have three requirements. Anything we consider must complement our current strategy in either the Integrated Corridor or Offshore businesses. It would need to maintain the strength of our balance sheet and not pose a risk to our current investment grade credit ratings. Any investment must be accretive to funds from operations, free cash flow and earnings, and provide a foundation to increased cash returns to shareholders.

Before I wrap up my section, I just want to draw your attention to our free cash flow. You can see the green circles at the top of the middle section, and they indicate what our free cash flow yield is under the plan. Today, we trade at about a 7% free cash flow yield, and it moves to around 15% in 2021 and greater than 20% by the end of the plan.

To sum up, our priorities continue to be to maintain our balance sheet, to fund our sustaining and maintenance capital requirements, as well as the organic growth in the plan and to return value to shareholders through a cash dividend.

Thanks very much, and I'll turn the floor over to Rob Symonds.

Rob Symonds:

Thanks, Jeff. While I know many of you in the room, there are some new faces. First, just a little bit about me. I've been the COO now for a couple of years responsible for all of North America, offshore, onshore, upstream, and downstream. I came to Husky over eight years ago, initially to run the Western Canada business. I've been in the industry for almost 40 years working for both multinationals and smaller Canadian companies in both Canada and overseas.

Let's talk about the plan. In order for us to successfully deliver on our financial performance, operations has to hold up its end of the bargain. I want to pick up on something mentioned earlier by Peter Rosenthal. In operations, we are committed to continuous improvement and incorporating the lessons learned across the Company. We simply cannot achieve the results we're looking for without this foundation, and I assure you that we are all committed to achieve this.

I want to spend some time looking at what we're doing in the integrated corridor and offshore businesses to support this commitment. The high reliability group has visited most of our major

sites and facilities across the organization. As a result of their work and areas we've identified through our own reviews, we've developed a plan to improve safety and reliability in each operational area. I'd like to give you a couple of examples.

In the Downstream, we found that our refineries sometimes followed different procedures. So, we're now standardizing those procedures across all of our refining sites. What we're doing is creating a single best-in-class manufacturing organization whose only objective is to operate safely and reliably. And we have already seen improvements. This year, we've had no Tier 1 process safety incidents. This compares to the five that we had in 2018.

In Western Canada, our ongoing work to improve personal safety resulted in a total recordable injury rate of 0.31 in 2018. This was a record for the business unit and is a top tier industry result.

In the Atlantic region, we're focused on developing the right procedures and taking steps to make sure they're all followed in the right circumstances. This speaks to the HRO principle of standards and procedures compliance. You'll remember Peter highlighted all of the principles, and this is one of them.

Rob and Jeff have taken us through what's new from the strategic and financial perspective. On this slide is a breakdown of the incremental changes on the operations side in both the Integrated Corridor and the Offshore. In the Upstream segment of the corridor, we'll be pacing our Thermal project roll-out at Lloyd. Last year, we told you we would bring new projects on at a rate of two per year. The new plan calls for an adjustment to three projects every two years. This allows for lower CapEx spend, optimal capital efficiency, and also takes into account the current outlook for egress from the basin. Of course, the government mandated quotas in Alberta continue to have an impact on our cold production, as well as at Sunrise and Tucker. These areas will be artificially constrained until we see a change in government policy. We're taking the time to make improvements at both SAGD projects, which should improve productive capacity once the quotas are removed. Overall, we've been able to mitigate the impact of the Alberta quotas by increasing production in other jurisdictions.

In the Downstream, peak throughput capacity at Lima has been increased to 175,000 barrels a day as a result of improvements implemented during a turnaround that occurred late last year. At Superior, demolition work is well underway. Given the outlook on the regulatory timing and on long-lead deliveries, we expect startup to occur in 2021. We anticipate peak capacity will remain at around 45,000 barrels per day, but we will see an increased average throughput.

In the offshore business, we're pacing the West White Rose project to better preserve capital efficiency. We're looking to start up in 2022, around the end of that year. In Asia, construction of the 29-1 field at Liwan is progressing well.

Let's take a deeper dive into the strategy around the two businesses, starting with the Integrated Corridor. This business is set up with a dual purpose. First, provides the deep physical integration running from Canada into the United States. This is what gives the corridor so many options to maximize margins and sets it apart from other companies that are only virtually or locally integrated.

Secondly, it mitigates exposures to pricing differentials. By keeping our production in approximate balance with our refining and take-away capacity, we've essentially eliminated the risk of price dislocation, allowing us to capture global pricing. The integrated corridor reduces risk by mitigating our exposures to the various quality and location differentials. The key take-away, that we manage the entire value chain, and we capture the margin wherever it exists. The graphic you see on the right-hand side of the screen shows the components of the value chain from the Upstream production to the manufacturing sites. I'd like to take you through it here showing exactly how we use it to maximize margins.

Now we maximize margins in the three ways that Rob discussed earlier. These are shown at the bottom of the slide. The first is increasing revenue. One example of this would be at the Lloyd Upgrader that you see here in the middle of the slide. We're doing that by increasing the throughputs at Lloyd. It's a minor debottlenecking and that of course comes with increased revenue. Another example, over here in Lima, in the middle of the slide over there, is where we'll be able to process increased heavy oil volumes post the COF project that will be finished later this year.

The second area is reducing costs. A good example of reducing cost would be over here in the Upstream where we're replacing the CHOPS production with Thermals, which are materially lower operating cost. Having said that, obviously, costs is a focus in every part of the corridor.

The third area is improving optionality, and that occurs along the entire chain. We have options in many parts of the corridor. One key area I'd like to highlight is the refineries we have at the end of the corridor here. We have choices about what crudes we run, what products we make, and which markets we serve.

Another area that provides a lot of optionality is our pipeline and tankage assets, because these allow us to optimize which crudes to send, where to send them, and when to send them. These are just some of the examples of optionality, and Jeff Rinker, Andrew Dahlin and Gerald Alexander will provide more colour about this process after the break.

This slide shows how each of the Upstream and Downstream segments of the corridor will grow their volumes over the plan period. On the left side, what you're looking at is the Upstream component. You can see that the growth is heavily weighted in the blue bars, which represents our Thermal business.

I'd also like to mention the size and quality of our Downstream business, which you can see here on the right-hand side of the slide. I'd suggest this is often overlooked. If you look at the corridor on a total barrels basis, the Downstream capacity is a lot higher than our Upstream production. A second thing I'd like you to take away is the size of the U.S. presence, shown here by the blue bars. Those U.S. operations are located in the key markets in the American Midwest.

All of these segments tie together to form one business, which is expected to generate about \$11 billion in operating margin, less capital, over this plan period. You can see that on the right-hand side of the slide, and the cumulative being the black line as it moves up.

Furthermore, the whole integrated corridor is insulated from price differentials, both oil and gas, due to this physical integration. Our job is to grow the business and also to find ways to extract more margin by reducing costs and increasing our flexibility.

Turning next to the Offshore. This business is being driven by production growth for some fairly sizable projects. Our offshore project is synchronized to both complement and offset each other during the stages of development. For example, we've been benefitting from our Liwan and BD projects as we invest in the development of the West White Rose project and the 29-1 field in Asia. Both segments have strong track records for leveraging existing infrastructure, technology, and other synergies.

Just like in our integrated corridor business, building off existing infrastructure provides for significant operational efficiencies and cost savings. The West White Rose project will tie back to the *SeaRose* FPSO. Once the project is onstream, the overall average operating cost per barrel will decrease because this vessel has a lot of fixed costs. The new 29-1 field at Liwan will be tied into the existing subsea and onshore infrastructure, and we'll be starting up this project before the end of next year. Our exploration blocks in both Asia and the Atlantic are also in close proximity to existing infrastructure. In Indonesia, our future projects are close to the existing East Java pipeline.

Wrapping up this part of the business, I'll summarize with some key advantages. As we invest in one area, we generate free cash flow from the other. We have well-defined growth trajectories in both Asia and Atlantic through our plan period and beyond, and also attractive exploration opportunities.

On the right you can see the plan growth in free cash flow from the Offshore business out to 2026, the material growth being shown throughout the period.

As we advance both the Integrated Corridor and the Offshore businesses through the five-year plan, technology will play a key role. In 2018, we launched an initiative called the Innovation Gateway. It's a one-stop shop for leading edge technology advances that bring together multiple innovation groups and projects from across Husky and around the industry and consolidates them under one banner. This team is lead by Glen McCrimmon, our former Chief Geologist, and he reports directly to me. These creative thinkers and doers work across the Company and with leading edge technology providers to identify business challenges, prove out solutions and

adopt advanced technologies. Our focus areas include emissions reduction, safe operations, as well as capital and cost efficiencies. I'd like now to speak to a few examples.

Our diluent reduction initiative at Sunrise is one case where we have an opportunity to reduce costs and lower our greenhouse gas emissions. It's essentially a partial upgrading technology that has the potential to increase our netbacks by over \$10 a barrel. Here's how it works. We mix synthetic crude with raw bitumen, we heat it, soak it and crack it and this reduces its viscosity and its acidity. This results in a lighter, pipeline-ready, stable crude blend. So, you reduce both ideally with usage, and our pipeline transportation costs, while improving the dilbit product quality. We have received \$25 million in funding from both the provincial and federal government for this trial, and it is currently ongoing. The rest of the industry is watching closely.

Here's another example of realizing better cost efficiencies; this one is remote well monitoring. At our Rainbow Lake facility in Western Canada, we've been using artificial intelligence to give us better predictive capability for things like potential pump failures. This is translating into savings of about \$1.50 per barrel in operating costs and increased revenue due to decreased downtime. It also improves safety by requiring fewer site visits. The goal is to use this technology to help us make real-time decisions to get the most efficient use of every well, as well as reduce electricity and maintenance costs. The project at Rainbow has now proved its worth, and we're moving to use the technology in the Lloydminster area.

Another promising technology that's now in the evaluation stage is related to carbon capture at our Pikes Peak South thermal project at Lloydminster. We began CO₂ capture back in 2015 and have tested different technologies, including an advanced liquid amine-based system as well as solid adsorbent bed technologies. A pilot program using the solid adsorbent beds captured half a tonne a day of CO₂ in 2018. The expansion of this technology in 2019 will increase CO₂ capture capacity at Pikes Peak South to 30 tonnes per day. This will be used to evaluate full, commercial scale capture potential. Ultimately, we see a world where we capture CO₂ from our operations, inject it into the reservoir to improve recovery factors, and sequester a portion of it, thereby reducing emissions and recovering additional oil.

Finally, in the Atlantic, we're exploring new technologies to reduce both risks and costs. This includes investing in artificial intelligence and machine learning technology to improve our

predictive capability for iceberg drift modeling and metocean conditions. Sea ice is a challenge for all operators in this region, so in addition to conducting our own research, we participate in ice management safety forums, joint industry partnerships, as well as collaborating with other experts in the field. By being better able to predict the environment in which we operate, we can optimize our logistics and asset deployment, providing for more timely and effective interventions.

I'd like to close off by saying that we are on track with our plan. What you see here on the slide now are the expected milestones over the next five years, the grey bars indicating construction phases, and the blue bars indicating expected production timeframes. By investing in lower cost, higher margin assets in both businesses, we have been improving the cash generation ability of our portfolio and increasing our resilience through the commodity price segment.

As we execute these projects, I want to reiterate, through our commitment to safety and operations, integrity remains at the forefront.

Now, we'll take a 15-minute break to refuel and stretch our legs, and after the break, Jeff Rinker will talk in more detail about the contribution that the downstream is making to our Integrated Corridor business, as well as the Company overall.

Thank you very much, and we'll see you back in 15.

Jeffrey Rinker

Can we take our seats and get started again, please?

Great, thank you. I think everybody's back from break now, so we can continue the one-on-one discussions. There'll be plenty of time later this morning after the presentations.

For those of you whom I haven't met yet, I joined Husky just two years ago, and I started in the industry actually 30 years ago this week, I just realized, working for integrated oil and gas companies in Europe and the U.S., managing refining operations, petrochemical operations, supply, trading, and M&A before coming to Husky.

At last year's Investor Day, I was just a few weeks into this job. I spoke with you then about the potential of Husky's downstream business, which is driven by our flexibility, our integration, and our ability to mitigate price differentials while leveraging optionality to deliver value. Today, I'd like to share with you what we've done over the past year to realize that potential.

The Downstream's not only continued to shape Husky's value chain, we've taken significant steps to transform our business to better extract additional value from the Integrated Corridor. Let's take a closer look at what we've been up to.

Downstream's game plan is centred on four cornerstones, and these are the safe and reliable operations of all of our assets, broadly balancing the heavy oil volumes with our processing and logistics capability, which insulates the Company against location and price differentials, our physical integration with optionality allowing us to capture value at each point in the value chain, from the wellhead to the final customer, and growth within our cash flow generation. We'll talk about each one of these things.

I won't go through all of the Downstream assets again this year; I did this last year, other than to point out just a few things that have changed. First, in January this year, we announced our plans to market and potentially sell our Canadian commercial fuels business and retail business, along with the Prince George Refinery, and that's why they're kind of fading out on the slide here. These businesses are good performers, but they're only slightly integrated within the Corridor and, by divesting them, we'll be able to focus more time and more investment on the remaining core assets.

Secondly, you'll notice our Lima refinery is now running at 175,000 barrels a day. Two years ago, our capacity at Lima was only 160,000 barrels a day, so we've expanded that refinery over the past couple of years by more than the entire capacity of the Prince George refinery that we're selling.

Third, we continue to add, over here, to our substantial and growing crude oil storage capacities, which now amounts to more than 6 million barrels in the U.S. and in Canada. This gives us a real base to trade around.

Next, I'd like to go a bit deeper into three of the core assets that are right in the Corridor: the Lloydminster Upgrader, the Lima Refinery, and the Superior Refinery.

Starting with the Lloydminster Upgrader, this converts heavy crude oil into light synthetic crude—excuse me, and diesel. I wasn't even at the game. The Upgrader's operating capacity has grown to 80,000 barrels a day, up from 46,000 barrels a day when it first started up in the early 1990s. It's a high reliability, low-cost operation, and we've been working to improve it further. For example, we currently have a project underway that'll allow us to increase the heavy crude processing capacity of the Upgrader, up to 81,500 barrels a day. At the same time, we're increasing the amount of diesel the Upgrader produces, from 6,000 barrels a day up to nearly 10,000 barrels a day. Both projects will be completed in mid-2020 which is just in time for the IMO 2020 rule, which is expected to increase distillates demand globally.

Meanwhile, at the Lima Refinery, the crude oil flexibility project is nearing completion. This project will increase the heavy oil processing capacity at the refinery from 10,000 barrels a day up to 40,000 barrels a day, and that allows about one-sixth of Lima's feedstock to be shifted back and forth between heavy crude and light crude grades. It's new and improved equipment from the Lima crude oil flexibility project that's enabled us to increase the peak capacity of the refinery up to 175,000 barrels a day.

The project also has a water recycle component, which has reduced the freshwater intake to the refinery by nearly 90%. It's completely eliminated surface water discharge from the refinery, other than rainwater runoff, and if you've been following the news, there's been a fair amount of rainwater runoff in Ohio recently. Overall, the project is progressing well, and final tie-ins are planned at the fourth quarter of 2019.

Third, Rob Symonds briefly touched on the Superior Refinery, but I'd like to give you a further update on the rebuild project. Last April, we had a major fire at the refinery. Thirteen of our workers were injured, all of whom were treated and released from the hospital within a few days of the accident. The incident also caused significant damage to the refinery.

At last year's Investor Day, I'd just taken over as the head of the Downstream business at Husky, and my first few days in the job were spent down at the Superior Refinery, responding to

the incident. Again, it really had quite a personal impact on me, I can tell you. I promised then that we'd work diligently to refocus our efforts to improve our safety performance. Since that day, we've taken tangible actions, together with all the other Husky business units, to redouble our commitment to safe and reliable operations at the refinery and across all of Downstream.

Immediately after the incident, Husky affirmed that we would rebuild the refinery, and that we were committed to the Superior community. That refinery has been part of the community for more than 60 years, providing jobs, contributing to economic development, and supporting local organizations. We're proud to be a part of that community, and we intend to be for many years to come.

It's worth revisiting the features that made the Superior Refinery an attractive acquisition for us in 2017, because these remain unchanged today. This is a heavy Canadian crude oil refinery. As the first refinery on the Enbridge mainline system coming in from Canada in the U.S., it's ideally located for crude oil supply optionality. About three million barrels a day of crude oil flow past the gate to that refinery every day, and it's an important producer of gasoline, diesel, and asphalt in the attractive upper U.S. Midwest market. The rebuilt refinery will position us to take even better advantage of all of these things when it starts in 2021.

Here are some more specific details about the rebuild. We plan to rebuild the refinery through our investment of more than US\$400 million, most of which will be funded through insurance proceeds. Additional investments are being made in modernizations and safety enhancements to the refinery.

Our prime focus is on repairing the three areas of the refinery that were damaged in the incident. That's the crude unit, the fluid catalytic cracking unit, and the asphalt tank farm. The rebuilt refinery will have a comparable configuration and capacity as before, but it'll be safer and more efficient. We'll use best available control technology to achieve emissions reductions, and the refinery will run in continuous mode versus its previous campaign mode, swinging from heavy to light. It'll run consistently at 45,000 barrels a day, compared to its previous average running rate of about 40,000 barrels a day. Our goal is to begin rebuilding during the fall of this year, depending upon receipt of construction permits, with a target of resuming full operations in 2021.

Those projects that I just discussed, at Lloydminster, Lima, and Superior, will enable us to meet our goal of providing a home for the Company's heavy oil production as it grows. This mitigates the impact of both location and quality differentials. The left chart here shows the expected daily volume of heavy oil blend over the next few years, and this is the bitumen production plus all the diluent that it's blended with to get it to market.

On the right is our heavy oil processing capacity, plus the long-term commitment on the Keystone pipeline, which transports oil from Canada to U.S. markets. As you can see, we're meeting our goal of being broadly balanced between the production and the processing.

Our current configuration covers us through about 2021, with the largest change in heavy oil processing coming when the crude oil flexibility project at Lima comes on-stream later this year. Then, the Superior rebuild and the restart at 2021 will give us even more heavy crude processing capacity.

Beyond 2021, we have options to accommodate the additional blend volumes, and these include more access to the U.S. or global markets via future export pipelines, or an eventual expansion to our Lloydminster asphalt refinery. It's a diversified strategy, and we're set up so we have time to make a decision on the right way forward, and that's whether the future's pipeline constrained or unconstrained, apportioned or not, and with or without production quotas.

As I've been saying for the past couple of years now, the greatest advantage to Husky's Downstream assets is the way they work together in the Integrated Corridor. The physical connectivity of our assets gives Husky potential for optimizing our integrated asset base at every step along the value chain, not just within the refinery gates, but outside them as well. Some companies claim to be integrated because they have Upstream production and also refining capacity, and that's kind of a hedge, but if they're not physically connected, the Upstream production capacity is captive to local pricing, and also the refinery is captive to local pricing. If your Upstream and Downstream assets are too closely coupled, you miss out on all the optionality between the assets.

The benefit to owning the entire value chain is it gives you many more options to create value. I can sell Husky barrels into a local market, or I can transport them to a more attractive, distant market, or I can choose to store them to capture trading opportunities. I can elect to process barrels through my refinery to make and to refine products, and then transport these to attractive product markets. Over the past year, the Downstream business has been actively shaping Husky's value chain. We're always adapting our storage and logistics capabilities to position ourselves to take advantage of trade flows around and in between our assets.

Because this flexible integrated value chain is Husky's key advantage, over the past year we've implemented a new Downstream operating model, purpose-built for the capture of integration value. At the highest level, the Downstream operating model contains four distinct elements, each with a different role.

There's a manufacturing organization focused on safe, reliable, and efficient operation of all of the assets; that's what they do. There's a trading, supply, and logistics business, empowered to act flexibly to capture short-term market opportunities and to manage commodity price risk, moving everything in and out of manufacturing.

There's a marketing organization accountable for end customer-facing activities, and as a reminder, even if we successfully divest our Canadian products marketing business, we still have a material and profitable asphalt marketing business, as well as a very large wholesale refined products marketing business in the U.S.

The fourth element is a central optimization function, this green bar across the top, responsible for determining an optimized plan for the entire value chain.

Over the past year, all the areas of our business, including the Downstream's organizational structure, our key business processes, our performance management metrics, they've all completely changed to reflect this new operating model.

The engine at the heart of this operating model is that optimization organization. It was that green bar across the top on the previous slide. This team is responsible for the overall Downstream plan for manufacturing, trading, supply and logistics, and marketing. The core

business process we follow is a four-month rolling plan that's renewed every month, so this kind of just repeats itself over and over. It starts with inputs coming in from all parts of the business, from Upstream all the way down through marketing, on opportunities and constraints that we see across the value chain.

It's then refined in a recycle, a review and feedback process, and then it's published. The plan is published to all the businesses as the integrated plan for what crude to buy, ship, and store, what products to be produced by the refineries, what products to ship and sell to maximize value capture across the whole value chain. There's a short lessons learned step, and then the whole process repeats again for the next month, moving four months plan at a time.

This sets our base monthly plan, but the model also gives us the ability to capture short-term opportunities as well. Let's use this oversimplified segmented value chain as an example and walk through an example on how we can capture market opportunity. We've got a refinery, a couple of tank farms, Upstream, some pipelines. In this case, let's say that the market signals an imminent spike in gasoline demand. Maybe there's been a supply disruption or there's a problem at another refinery, something like that. How do we leverage this opportunity to capture value using the operating model?

This is what we do. The Optimization team will convene a short-term re-planning, within a matter of hours, in accordance of the opportunity to analyze the opportunity, and they'll do a re-plan and issue new instructions to all of the teams. Acting on this opportunity, for example, the crude traders will go out and they'll probably buy some more high gasoline-yielding crude oil to get into the system, probably sell some low gasoline-yield crude oil. The schedulers will speed up shipments of high-yield crude that we may have in the pipeline on its way to the refinery.

In the manufacturing business, the refinery will modify the operations of the refinery to maximize gasoline yield, and probably run-down intermediate stocks to try to maximize the amount of gasoline we're squeezing out of the refinery.

On the product side, the product schedulers will redirect gasoline shipments to the area where the demand has increased, and marketing will be out there securing additional spot sales volumes. As they do these things, they'll be feeding back to Optimization how successful they're

being at these different steps, so Optimization can then re-plan and re-plan and keep refreshing the plan for the teams.

I've gotten ahead of myself. I get too excited about these things. If possible, if it makes sense, the Trading team will also, on the paper desk, will lock in market opportunities if it makes sense. Then Optimization continues to refine the re-planning process.

Building this type of optimization capability has been a key driver for improving margin capture across the Downstream over the last couple of years. I talk a lot, and I've talked a lot at the past two Investor Days about realizing this value up and down the value chain, outside of the refinery gates. Since the entire operating model I just described, that we've implemented, is focused on capturing this value, we should probably look for evidence if it's working or not.

Here's one measure that I like to look at for evidence of value capture outside the refinery gates. Here, I've plotted, on the green line, it's a composite Husky refining/upgrading margin, so it's just a weighted average of the main manufacturing indices that we're exposed to: the Chicago 3-2-1, the Edmonton 2-1-1, and the Canadian upgrading margin, the differential between heavy crude and sim crude and weighted by our throughput, and that's this green line going back over the past three years.

This is a good index, or maybe it's better to call it a comparator for value that's available inside the refinery gates. Then plotted against it, this blue line is the actual gross margin generation per barrel of our Downstream business, and it's FIFO-adjusted to take stock effects out, excluding the Canadian marketing business, which is not part of the integrated value chain.

You'll notice that the full value chain margin generation per barrel has risen over the last three years faster than the index. In fact, it's gone from being a couple of dollars under the index to a couple of dollars over the index. It's still early days, but this suggests that we're having some success at capturing incremental margin outside of the refinery gates. To better quantify the value there, every \$1 per barrel increase across the whole Downstream value chain, given our throughput, equates to around \$100 million a year in gross margin uplift.

To wrap it up, the Downstream segment of the Integrated Corridor is designed to complement our Upstream heavy oil production, to mitigate the impact of changing differentials, but also to be a source of value in its own right through optimizing the value chain. We're transforming this segment of our business through a new operating model while increasing our speed of action to opportunities, divesting assets that are not core to the Integrated Corridor, and capturing more value outside the refinery gates.

The outcome is a Downstream business that generated \$2.1 billion of free cash flow in 2018, and in our plan it contributes an average of \$1.8 billion of free cash flow annually over the next five years.

I hope I've left you with a clear picture with how Downstream fits within, and contributes to, the Integrated Corridor business. Now, we'll move to the Upstream part of the corridor, and Andrew will take us through the thermal feedstock business. Thanks very much.

Andrew Dahlin:

Thanks, Jeff, and good morning everyone. I'm Andrew Dahlin. I'm responsible for our Heavy Oil and Oil Sands business; been in the role for two years now. I've been with Husky for eight years, and prior to that I worked internally for Shell for close to 20 years. Joining me today is Carmen Lee. Carmen Lee's sitting down here to my right. She's our Vice President of Oil Sands.

I'm going to focus on the front-end of our manufacturing process, specifically our Upstream, Thermal, and Oil Sands assets. This is my part of the business, that's where we provide the low-cost reliable production to feed Jeff's Upgrader and refineries today and for decades to come. In order to manage this manufacturing business over the long-term, we of course need to have a large resource base with production that is low-cost, repeatable, and reliable, and we do.

Here's what's new in our updated five-year plan. We've paced our Lloyd Thermal Project rollout to three projects every two years, compared to two every year. Now that we reached design capacity at Tucker and Sunrise, we're turning our attention to finding more efficiencies and driving higher profitability from these assets.

In terms of priorities, we're continuously working to deliver strong operational reliability, and to further incorporate the principles of the high reliability organization in our drive for business performance. We'll maintain and grow our large inventory of projects in the Thermal portfolio, and we will continue to lower our overall cost structure, which includes capital and operating cost, and further enhance value capture through the deployment of technologies.

As Rob noted earlier, production at both Tucker and Sunrise has been impacted by the Alberta government quotas this year, but yet, despite those quotes, we were actually able to once again hit 60,000 barrels a day at Sunrise earlier this month, and we did so ahead of taking Plant 1A down last week for its first turnaround. Our Saskatchewan Thermals, which of course are unaffected by those production quotas, are strong. Volumes here in the first four months of the year are the highest ever at 82,500 barrels per day.

Thermal production has been the main growth driver for the Company over the last several years. Over the last 20 years, we've built 12 Thermal projects; nine of them since 2011. We have current capacity of about 140,000 barrels a day. This growth includes, obviously, the successful ramp-up of Sunrise, the rejuvenation of Tucker, and the rollout of a series of small-scale, repeatable, 10,000 barrel-per-day projects in our Lloydminster area. We've also enhanced our already attractive portfolio of Thermal and Oil Sands leases through land consolidation, and the application of technology allowing for higher recovery factors.

I want to draw you to the black line on the chart on the right, showing the growth in our crude reserves over those years. Our 2P Reserves Life Index on bitumen production is now 38 years, which supports our view that we have decades of running room ahead of us. The service replacement was a particularly good story in 2018 here, when we actually added 185 million barrels of bitumen reserves. On the bottom left, you can see the series of future projects we have in our inventory. At this point, I think it's important to point out that, as part of that feedstock into the Integrated Corridor, all of our heavy oil production has a home, either through processing or export capacity, and hence, that production is not subject to the types of severe pricing dislocations that affected many of our peers in 2018.

Next, what I'll do is I'll provide an update of our three main Thermal areas, starting here with our growing Thermal business. As you know, we have two million acres in this portfolio, and

because of our long history on this block, we actually own the mineral rights to close to every other section, and we operate all of the gathering systems. We're now an industry leader in small-scale Thermal projects, with 10 on production, 5 in-development, and many other potential projects in our inventory.

These Thermals have some unique features. Because they're in Saskatchewan, we have faster regulatory approval process; from sanction to first oil typically takes less than three years. They're built with modular designs, which means that we can roll them out in a capital-efficient manner and with high certainty of disciplined project delivery. Due to the quality of the oil, we have fast ramp-ups and high recovery factors. For example, our most recent project, Rush Lake 2, started production in October of last year, and ramped up past this 10,000 barrel-per-day design capacity within the quarter itself.

As a further proof point, year-to-date production at Rush Lake 1, which is the star in our portfolio, is about 16,000 barrels a day, and that's really the results of really strong reservoir performance.

With scale and experience, we're actually finding, too, we're finding further efficiencies through sharing of infrastructure and fine-tuning our assembly line construction process for our new facilities. For example, our next project on deck, Dee Valley, is almost nine months ahead of its original schedule and will come on here in Q3. Beyond that, Spruce Lake Central and North come on around mid and year-end next year, and Spruce Lake East comes on the following year. The key thing here is that all of those three projects share the same pipeline and power infrastructure.

Now, turning to Sunrise; we had a number of milestones here in the last year, including, of course, the ramp-up to full design capacity of 60,000 barrels per day, of which 30,000 barrels per day is Husky's share. As you can see on this map, Sunrise runs right down the middle of the Oil Sands fairway. The Firebag SAGD project is to the east of us, and Kearl to the north. We've learnt a lot of lessons along the way and now have a better understanding of what it takes to ramp-up a shallower, lower-pressure reservoir in the Oil Sands, and as such, we feel we have de-risked the subsurface on the rest of the lease, providing us with future running room. As you know, we already have regulatory approval to grow production to 200,000 barrels per day gross.

Now, given the uncertainties and headwinds the industry is facing, including with respect to egress and quotas, we have chosen to focus on optimizing the asset at this time. This focus is squarely on driving for higher margins on every barrel we produce, and we know that additional production will come as a result of facility de-bottlenecking, increasing steam quality and capacity, and so on. We will of course be expanding the Sunrise business in the future, and when we do, we'll do so through the use of a combination of cogen and our modular Lloyd light development concept, and then we'll weave in the learnings from our first phase and, as well, incorporate relevant technological advances.

Looking now at Tucker, this project, like Sunrise, reached its design capacity of 30,000 barrels per day in the fourth quarter of 2018. Similar to Sunrise, our focus at Tucker is now on margin growth. We'll continue to de-bottleneck and optimize the facility in our drilling plans so that we can further reduce the cost structure, and of course, improve the margins.

One of the really neat things about Tucker is actually its attractive netbacks. We're getting Lloyd-like rather than Oil Sands-like price for the product. Our operating costs are low; they're around \$10 a barrel when we're not curtailed, and the product flows directly into the LLB pipeline and on to Hardisty, or, if so desired, it can go to the Lloydminster refining complex, and that of course gives us an ample optionality in that integrated value chain of ours. Finally, given the size of the asset, we see decades of production from Tucker.

Having reviewed the three assets, I now want to step up a level and look at our overall portfolio delivery. The two graphs on the left effectively showcase how we've successfully driven both capital and operating costs down in the last five to six years. As you can see on the chart on the right over here, you can see that we're already competitive with our peers. Specifically, you can see our latest Lloyd projects are amongst the best for SORs. The Pikes Peak project, which is the higher SOR project on the right of the chart, that was actually shut-in here in February of 2019, and is now being abandoned after producing 78 million barrels of oil over 36 years of operation.

In terms of operating costs, Sunrise and Tucker compete well, and we have plans in place to get even better there. Our Lloydminster Thermals have amongst the lowest operating cost in the industry.

Now, let's talk about the path forward. As you can see on the chart, it's material, and I hope to show you here that it's also low risk. By 2023, we expect to be producing just under 200,000 barrels a day from our Thermal and Oil Sands assets. Now, the chart on the right actually goes out to 2026 to show additional running room.

All of our growth capital is currently directed to new Lloyd Thermals. Our extensive experience for these projects have made them very repeatable and with a high certainty of success. In fact, in the past five years, all of our Lloyd Thermal projects have been delivered to budget or a schedule, if not better. In terms of sustaining capital, the focus for Sunrise, Tucker, and of course, the existing Lloyd Thermal facilities, is to maintain that production whilst reducing the cost. Keeping the plants at their capacity requires, basically, requires new sustaining pads and these are relatively simple to execute. Because they utilize existing infrastructure, these investments generate strong rates of return.

In fact, at this time, I want to point out that about one-third of Husky's capital program over the next five years, so one-third of Husky's capital program over the next five years is in Thermal. It's in the business that I've just described to you. I hope that I've shown that this is repeatable growth and delivery with a high certainty of success.

Finally, as you can see in the graph on the left, our Thermal business actually now reached that scale and balance between sustainment and growth, but the business, even on a standalone business, generates operating margin in excess of the capital over the five years. Yet, as we've shown, it's even more valuable as part of that Integrated Corridor.

The team's now working on getting even more juice out of this business. In support of this, we're pioneering and implementing existing technologies for greater margin capture. These will provide additional upside to the forecast that we've shown today. We're looking at these innovations for a number of reasons, and they include: to further reduce our cost structure,

enhancing our production, increasing capital efficiency and improving safety and our environmental footprint.

In the near-term, we're implementing existing technologies to our assets. Rob covered a few, and here are three more. Firstly, we'll be using non-condensable gas injection to drive our SORs even further. We have a pilot in Lloyd and at Sunrise starting in Q4 of this year.

Secondly, we're improving our pipe design and execution to further lower capital spend. Thirdly, we're using artificial intelligence to mine the billions of data points that we have, with the ultimate objective of driving higher production.

In fact, in the AI space, we actually retroactively modeled all operations and activities in one of our fields, in Lloyd, and we actually got really high conformance, and yet with, really, with clear opportunities for improvement. Effective here in June, AI is actually going to guide our operations, including steam allocation, to all the wells in one of our fields. The work to-date indicates that we could see as much as a 3% to 5% improvement to production simply through steam reallocation, and without any capital investment.

As I wrap up my section, I really want to leave you here with a clear picture that the job of Thermal operations is to be a low-cost, dependable source of feedstock, and part of that manufacturing process that ultimately sells refined products into Pad 2. With that in mind, we're growing our lower-cost Thermal production from a highly competitive asset base and providing for that increased margin capture along with the Integrated Corridor.

We're continuing to improve our capital intensity, our SORs, and our operating costs. Our business is being further enhanced through the adoption of these new technologies, which are helping us capture cost efficiencies, and lighten our environmental footprint. Although this heavy oil businesses I showed generates free cash flow on its own, it's of course even more profitable and more valuable as part of our Integrated Corridor.

Thank you very much. Now, we'll hear from Gerald about our progress in our Western Canada resource plays. Thank you.

Gerald Alexander:

Thanks, Andrew. Good morning. I'm Gerald Alexander, SVP of Western Canada production. I've spent over 30 years of my career working mainly in Western Canada, starting with Mobil Oil, Hess, and in the last 20 years, with increasing responsibilities at Husky.

Last year we talked to you about focusing our business and pivoting to liquids. I can tell you that our focused business has resulted in great operational gains and improved project efficiencies. In Edson, at our Ansell asset, we have lowered our cost of doing business, and are maintaining our competitiveness as we move this project forward. Our learnings at Ansell have also benefited our liquids-rich program as we move those projects into development.

Today, our plan is to sustain production in the Ansell to Wembley Corridor and preserve our optionality to grow. Our inventory-ready portfolio gives us lots of room to run, and the flexibility to develop either liquids or gas, ensuring that we fund our best projects in our portfolio. If we want to, we can dial it up, but for now we're holding it flat at this time.

Being an integrated business with multiple delivery points for our gas has benefited our bottom line. In addition to our corporate consumption needs, we have pipeline access to U.S. markets. This means we receive strong realized prices versus straight AECO for our gas, and I'll talk a little bit more about that here in a minute. You heard earlier from Rob that we had a record year for safety in 2018, and we will continue to improve our safety and culture and processes as we implement the HRO principles in 2019.

Now I'll just talk about how we compete. Since 2017, we have seen some excellent gains on our execution of our Ansell multi-horizontal well program. As you can see here, we are very competitive, and we've achieved top tier results. Our business model has been to focus on fewer but larger development programs, improved well performance, and executed in a safe and responsible manner. By driving down our capital costs, optimizing our production rates, and reducing our cycle times, we have driven down our breakevens for a 10% after-tax rate of return at Ansell to \$1.70 an mcf, with further gains expected.

We've demonstrated that by high-grading our best projects within our portfolio, we can efficiently execute them with industry-leading results. We expect further pad optimizations as we execute

our full field plan and continue to reduce our on-stream cycle times. We've also realized cost and performance gains across our liquid plays. After a four-year break at Ansell, we restarted our Cardium program, with four new wells in Q1. According to a recent Atlacorp report, Husky is one of the most efficient Cardium drillers with better-than-average drill times compared to our peers. This translated into a better than 50% cost reduction right out of the gate.

This program is in the heart of our existing deep cut infrastructure, allowing for quick and cost-effective tie-ins. Two of the wells have been tied in and producing, with type well or better flowback, making about 65 barrels per mmcf in total liquids, half of which is free condensate.

Turning now to our resource play portfolio, most of our growth activity has been focused on two plays, the Montney and the Spirit River. As you can see on the map, the portfolio is focused in the Edson to Grande Prairie areas. It's liquids-rich, has a high yield of free condensate, and we have lots of room to grow. One of these projects is at Kakwa, where we have grown our production to over 6,500 BOEs a day with deep cut liquid yields of 30%.

Our team is also creating new opportunities up at our Rainbow Lake asset; you can see that in the top left. Over the past year and a half, we've been drilling infill horizontal wells into our Muskeg pulls, and a recent report by Scotia, two of these wells made the top five oil wells in Alberta, flowing at 1,000 barrels per day each. The work will continue to optimize these wells into our owned and operated infrastructure.

Now, let's take a look at our most recent condensate development, the Montney, at Wembley. Wembley is a big part of our liquids-rich growth and falls in an area of high industry activity with high condensate yields, high rates, and stack potential. To-date we have primarily targeted the liquids-rich middle Montney, drilling five wells in 2018 and another four wells in 2019. Six of the wells are expected to be online by year-end, through third-party facilities. Natural gas liquids make up about half of the resource volume, and about 80% of the resource value. Condensate is the main driver here, accounting for about half of the liquids volume, and 85% of the liquids value.

Moving forward, we will use our knowledge and our efficiencies gained, and our resource play programs, to execute our first cube development of the entire stack. We also hold a material

land position on-trend immediately to the Northwest at Sinclair. A TD Bank report which came out last week shed some light of just how much acreage we've been quietly accumulating in the area. We now sit at about 120 sections across all three liquid-rich windows, immediately offsetting the Encana and Nuvista development areas.

In Q1, we drilled one Lower Montney well that we plan to test, tie-in, and appraise in Q1 of 2020. This is a liquids-driven play with high condensate yields, and we plan to pace our development in line with our egress solutions.

Our gas business operates as an integrated value chain that has multiple sources of gas production and multiple delivery points. Today, we are short on AECO, as our consumption and U.S. export needs are greater than our production. We are capitalizing on the low AECO prices by purchasing gas on the market to meet those needs. When AECO prices improve, we'll be poised to increase our production. Our asset integration provides flexibility and scalability, resulting in value generated through strong realized gas prices, which in Q1, was \$3.75 an mcf, greater than \$1.40 premium to AECO.

When you put it all together, our Western Canada resource play business is well-positioned to add value through increased liquids growth. We continue to improve our project break-even costs, and our integration with our Downstream segment ensures that we have options for our products to receive premium pricing.

Thanks very much, and now we'll move to the Offshore segment, starting with Jonathan and the Atlantic Region.

Jonathan Brown:

Thank you, Gerald. Good morning. It is still the morning, yes. I'm Jonathan Brown, and I'm VP, Production Operations for the Atlantic Region. I've spent the majority of my career working in oil and gas, in offshore, remote, and challenging environments, so it was natural that I finally made my way to the Atlantic region.

I started in Exploration Production with Shell back in 1988, and then joined BG Group and Talisman Energy, which was later bought by Repsol. I was most recently in the North Sea before joining Husky at the beginning of the year.

As we told you here last year, our Offshore business is comprised of development and exploration opportunities in two regions. Each Offshore segment complements the other. As we invest in one area, we capture value from the other. In the Atlantic, we have more than 30 years' experience offshore in Newfoundland and Labrador. Our production has access to global markets and is sold at premium pricing to Brent. In Asia-Pacific, we're growing our low-cost, high netback gas business in China and Indonesia.

Both of our Offshore businesses have made a strong contribution to cash flow over the years, with Brent-like pricing. In both areas, we can use existing infrastructure such as the *SeaRose*, subsea equipment, and our Liwan gas plant and offshore facilities. This helps us continue to lower capital and operating costs. Of course, our primary focus in both regions is to deliver these projects safely and reliably. I'll start the Offshore segment with a closer look at the Atlantic region, after which Bob will provide an overview of our Asia-Pacific business.

It's probably no surprise that I'll begin my section by restating our commitment to becoming a high reliability organization. Like the other leaders you've heard from this morning, this is an overriding priority for my team in the Atlantic region. We've had two high profile incidents which have tarnished our reputation of a safe, harsh weather operator that's been built over more than a decade. As a result, we've identified and actioned several areas of improvement, consistent with our HRO principles.

As part of this, we've introduced more formality into our processes, and an important element of becoming a high reliability organization is encouraging a questioning attitude where team members feel comfortable speaking up, and respectfully challenging conventions. This is becoming further ingrained in our operations, as is a strong emphasis on standards and procedure compliance. Like all learning organizations, we're committed to continuous improvement and renewal.

I'll start first with our existing operations in the White Rose field. We've taken a methodical approach back to production following the spill in November, which was caused by a failure in a flow line connector. This measured approach has been important, both to confirm for ourselves the asset's safety and integrity, and ensure acceptance from the regulator and certifying authorities. Production resumed from the central drill centre at the end of January, and with two new infill production wells added this month, we're expected to add around 5,000 to 8,000 barrels a day net to Husky.

We expect to restart the southern drill centre imminently, within the next week or so. Once the North Amethyst and South White Rose Extension drill centres are brought back up to full capacity, production in the region is anticipated to be approximately 25,000 barrels a day net to Husky. We're planning to achieve this by the end of July.

Our Atlantic region is an established, high-netback business that provides tidewater access to international markets, and global pricing for years to come. At White Rose, we've delivered more than 294 million barrels of oil, or over 200 million net to Husky, since the field first started up in 2005. Our economics here are enhanced through our ability to tie back new projects to existing infrastructure, including subsea drill centres and the *SeaRose* FPSO, as I've already mentioned. While we continue to develop the field, we've been using any downtime to tackle various safety and regulatory scopes. Combined with the maintenance work conducted during the November outage, we no longer require the turnaround originally planned for August this year.

At the West White Rose project, construction is progressing on the concrete gravity structure. The most visible part of this work has been the slipforming activity in Argentia, and you may have noticed it on the video on the way in here. We've already established a strong track record for safety on this project. Our construction sites at Marystown and Ingleside have no recordable incidents or injuries to-date, and we've experienced just one lost time entry at Argentia. This is about half the incident rate typical of these types of projects.

Given the project ran over our plan in Q4, we've turned our focus on capital efficiency rather than chasing schedule, and with this change, we've seen an improvement in productivity, and

are on track to achieve first oil towards the end of 2022. The entire project is now about 40% complete.

Once West White Rose is completed and on-stream, I wanted to give you a sense of the prize, the biggest of which is the amount of free cash flow it's able to generate. This potentially is driven by the combination of a magnitude of light oil production, which will attract Brent-like pricing, coupled with the incremental operating costs of around \$5 a barrel due to the use of existing infrastructure. Furthermore, the gravity structure will allow more efficiencies in drilling, avoiding the risks imposed by the sea states.

Now onto our longer-term prospects. Last year, we partnered in two additional exploration licences with Suncor and Equinor, and we've realigned some of our licences offshore in Newfoundland. This has included selling and swapping some of the licences, and welcoming new partners into some of the new blocks. In all, this region still holds significant potential for Husky, and one area of great potential is in the Flemish Pass at Bay du Nord.

The province of Newfoundland is planning to exercise its option of buying a 10% stake through Nalcor Energy Oil and Gas. As we've said before, our plan is to further farm down our interest in this project.

In conclusion, I'd like to emphasize that safe and reliable operations are fundamental and non-negotiable elements of our business plan as we continue to evolve into a high reliability organization. This region has been a strong investment for Husky over the past few decades, delivering high-netback production that attracts global pricing.

We're taking steps to ensure this continues; through our optimization of the White Rose field, through leveraging shared infrastructure, to ensuring ongoing production from the Terra Nova field, and advancing the West White Rose project, which will represent a major step change to the next generation of Atlantic oil production.

Thanks very much, and now we'll hear from my colleague, Bob Hinkel, who will update us on the Asia-Pacific side of the Offshore business.

Robert Hinkel:

Thanks, Jonathan. For those of you I haven't met yet, I'm Bob Hinkel. I'm the COO for Husky's Asia-Pac business. That includes our operations both in China and Indonesia. I've worked in the Offshore and in mining sectors now for about 40 years almost. I started at Husky in 2010, in this role here.

First and foremost, I'd like to say that Asia-Pac had another safe, profitable, and productive year. We have a long track record of safe and reliable operations, and are continuing to adhere to the principles of a high reliability organization. Less than one lost time accident average per year is our headline, and no major incidents occurring during our entire operating history in Asia.

Secondly, I'd like to speak to how we've been operating in this part of the world for several decades and established long-term relationships with top tier partners. Our natural gas production offshore in China and Indonesia is sold through attractive long-term agreements, while our liquids production captures global pricing at Brent-linked pricing. Over the past few years, we've made major infrastructure investments at the deepwater Liwan gas project, and our field developments in the Madura Strait. These projects, and our immediate and future growth opportunities in the region, share some very important traits, the key feature being just how much money we make.

If you look at the chart on the wall, on the left, you can see top line revenue of almost CAD\$80 per barrel. If you compare against the green on the bottom, it shows you how low the operating cost is on a BOE basis. Then, take a look at the chart on the right which is the netback, which we've been consistently fetching between \$60 and \$70 per BOE. This is being generated through long-term contracts, which provides for greater stability and funds from operations, and significant free cash flow generation. Because we share existing infrastructure such as subsidy pipelines, offshore platforms, and now onshore processing facilities, bringing these new developments on is extremely capital-efficient, as we're able to tie into investments we've already made.

With established businesses in China and Indonesia to build on; we're pursuing development projects in both areas. We expect to add 15 to 20% to our regional production over the next five years. Our growth opportunities include the Lihua 29-1 field at Liwan, and also a new oil

discovery on Block 15/33 in the South China Sea. We will drill two additional exploration wells in that block this year to try to expand that discovery. We anticipate future production from these projects will be fully self-funded, and we'll continue to generate very profitable, high-netback production with significant free cash flow rates of return.

Our latest project in China, Liuhua 29-1, will come online next year. This is the third field in the producing Liwan gas project, and it's scheduled to start up around the end of 2020. We completed the drilling of the first three remaining wells at 29-1 under-budget and on schedule. Now we're starting completions for all seven wells, and next year we'll be laying the flow lines for those wells. We actually have a 75% working interest before royalties in this field. We're targeting 45 billion cubic feet per day of net gas production, and 1,800 barrels per day of liquids, net to Husky. Our gas production will be processed at the existing onshore Gaolan gas plant for deliveries to buyers in the Southern Bay Area, which is basically Guangdong province.

The Madura Strait block, offshore East Java, is also being developed by a joint venture of three companies: Husky, CNOOC, and a local partner. Husky holds a 40% interest in the JV company. The first field, which has been producing since 2017 quite efficiently, is the liquid-rich BD project. Gas there is sold to buyers in the East Java market at a rate of about a hundred million cubic feet per day gross. The price realized for these gas sales in the first quarter of this year was about CAD\$9.88 per mcf. The field also produces over 8,000 BOE of high value natural gas liquids, giving a combined realized price of over CAD\$66 per BOE in Q1 of this year.

Next up is at the combined MDA-MBH and MDK fields, we expect first gas now in 2021. That's about a year later than expected last year due to regulatory constraints, however, the market is still growing.

Now onto existing discoveries and developments, we have a very robust portfolio of new opportunities with partners throughout the South China Sea. These range from exploration and cooperation areas with CNOOC, to blocks where we already have discoveries and developments in progress. We also have a large block called DW-1 offshore Taiwan in China, where we've shot a large 3D survey that now has been finished processing and is being interpreted.

Our go-forward plan provides a good balance between projects in development and exploration stages, with joint exploration initiatives established with operators in the region. Having this portfolio of opportunities underpins our ability to continue building this business over the long-term.

I'll end the Asia-Pac section by noting that Husky has a solid track record in this region. This is a business that will continue to provide stable revenue generation, high-netbacks, and strong free cash flow over the planned period and beyond. We have significant exploration advantages in acreage, with a lot of running room to further leverage our offshore expertise and our established relationships, and, like the rest of Husky, we are continuing to move forward with our commitment to the safety and principles of the high reliability organization.

Thanks very much for your time. Rob will now provide some closing remarks, and then we'll take your questions.

Robert Peabody:

Thanks, Bob. Just a few final thoughts before we take some questions, first on safety and reliability. We know that just speaking is not enough, that we're in a "show me" stage of this story, and that's what we intend to do. We've outlined the steps we're taking to improve our performance and we intend to earn back the trust of the market in this regard. To do that, we've set our sights on exceeding expectations by doing what it takes to become a leader in operations integrity in our industry.

Second, our plan remains on track, and we've made some improvements versus the plan we outlined last year. We continue to focus on growing margins by lowering our cost structure and increasing our revenue capture. While the plan we've laid out has production growing by over a hundred thousand barrels per day over the five-year period, let me point out some near-term catalysts that you can expect to see from us.

White Rose is continuing to ramp-up, and it'll be back to full rates by the middle of the summer. Over the next four months, we'll have Dee Valley come on-stream ahead of schedule, and the Crude Oil Flexibility Project at Lima will be completed in the fourth quarter of this year. Within

this timeframe, we'll update you on the outcome of the sale of the Prince George refinery and our retail business.

Looking over the next 12 to 18 months, we'll have 29-1 come on-stream in Asia, and two Spruce Lake projects in Saskatchewan, bolting on almost 30,000 barrels per day of low-cost production.

After the 18-month window, we should be past the large capital spends in the Atlantic and in Asia, and we will enter 2021 with a larger production base and lower CapEx going forward. Lastly, we are prioritizing free cash flow generation, and we're able to do this while still growing our business. Think of this approach as striking a balance between growth and cash returns to shareholders.

As you can see on the chart on the left, we expect to generate about \$900 million a year in free cash flow in each of the next two years, then ramp up quite significantly after that, adding around \$8.7 billion over the planned period. Simply put, the free cash flow generation over the next five years represents about two-thirds of today's market cap; indeed, a compelling valuation ahead of the catalysts we're expecting.

In closing, we think there's a real opportunity for shareholders over the coming years as we improve reliability, generate strong funds from operations and free cash flow, and grow the dividend over time.

With that, we'll now take your questions, and I'd just remind you to wait for the mic to arrive, if possible, before asking questions, just because then people on the web can hear the questions as well.

Over here, Dan? Oh, yes, okay.

Gregory Pardy:

Thanks, Greg Pardy with RBC. Rob, I'm going to maybe just dig into the A&D side, maybe just a little bit. But just in terms of the Downstream sale, curious on what we should think about in terms of timing. Is this something that you expect to get consummated this year? Then I'll ask a second question.

Robert Peabody:

I think the short answer is that the process we have underway is aimed at getting completed this year. There may be, depending on who the buyer might be, there may be a few competition concerns that might delay closing, but our base case would still have it closing this year.

Gregory Pardy:

Then the second question, just really on the acquisition side. Obviously, I think everybody in the room is very well aware of this Devon/Jackfish process that's been going on, so typically I don't ask CEOs this question in a forum like this. But if the pricing considerations made sense, are there any strategic attributes of that asset that you think would fit in the Husky portfolio, or is it a fairly definitive, probably not? Thanks very much.

Robert Peabody:

Well, number one, we don't comment on potential acquisitions or things like that. But I think at the highest level, clearly, it's an asset that fits into the Integrated Corridor, but you'll go—Jeff kind of outlined the standards it takes to chin the bar in order to make an inorganic option compete with an organic option, and they're pretty rigorous. Maybe, hopefully, people have added—saw that we kind of added one more to try to address some shareholder concerns, I think, which is that, if we do an acquisition, we've got to be confident after the acquisition that it's actually enhanced our ability to pay a dividend, to actually make paying a dividend easier, not harder. I would just put that into the calculation. Whether that particular asset fits, that would be depending on the price you had to pay for it.

Manav Gupta:

Manav Gupta, Credit Suisse. Going back to last year, the break-even price that you were targeting was \$37 WTI for 2022. Now, when you look at Slide 43, it's more like \$34 Brent for 2022; that's not a \$3 move, that's like an \$8 or \$9 move. I'm just trying to understand, within the past one year, what all has changed to give you that confidence to lower the break-even by that magnitude?

Robert Peabody:

Jeff will answer that.

Jeff Hart:

The cash flow break-even that you're referring to is really a factor of bringing on—at that point, we have West White Rose coming on, we're through the development spend in a lot of areas and our capital frame is lower. We see these adds coming on, they're low operating cost, our capital frame is lower, and so we're actually seeing that drive down our cash flow break-even, which is consistent with our free cash flow generation through the plan. You really see that weighted as we get towards the back end.

Finlay McKay:

Hi, Finlay McKay with Valley Partners Investments; just a question about returning cash to shareholders. At what share price do you start looking at buybacks as an option, and how do you see the dividend going into 2023? Do you target a certain free cash flow payout ratio or anything like that?

Jeff Hart:

Yes, I'll start with that. Share buybacks are an option for us. The thing we will evaluate, clearly, is our ownership structure and the relative market flows, so we'll continue to evaluate that and go there.

The thing to think about in relation to the dividend is we don't target a specific payout. What we have done over the past year, if you look at how we brought in—reinstated the dividend and how we've increased it, it really is tied to—as we bring on our assets, reduce our earnings and cash break-even, lower our op cost, as those assets come on, that provides the catalyst for us to grow the dividend. What we see is, over the next 18 to 24 months, we have Dee Valley coming on this year, we've got 29-1 and the two Spruces coming on, and so those will provide opportunities as we execute and bring those assets on to rateably grow the dividend.

Robert Peabody:

Yes, I'd only add one thing. In discussions with the Board, for those of you who've been around a while following the Company, we did—when we saw the price crash down to about the mid \$30s a couple of years back and a lot of concerns about the future being expressed globally,

particularly about the industry and where oil prices were going, we cut the dividend back to zero. That was an experience I think the Board is intending never to repeat again in their life.

I think that's why the concern for ensuring that any dividend increases we do are sustainable. Back to Jeff's point, they want to see—as these new projects come in, as we finish COF, as we do these things and the underlying ability of the Company to generate more cash flow at any price is improved, then they will increase the dividend because the view is that will be a sustainable increase in the dividend where they don't have to worry about it ever, having to deal with a dividend cut, even under fairly adverse environmental conditions.

Benjamin Wong:

Hi, just right over here, Benny Wong from Morgan Stanley. I just want to touch a little bit on your sustaining CapEx. Looking at your five-year plan, it looks like you're forecasting a flattish \$1.9 billion. This seems to be a change from last year where it was actually supposed to be growing closer to \$2.2 billion by 2022. I guess, A, am I interpreting this right, and B, if it is, is that a function of the moderated spend, or is there some capital efficiency you have captured today, or you're assuming that you're going to capture it going forward?

Jeff Hart:

Number one is, yes, we're sitting at \$1.8 billion now, and we're holding flat through the plan, and there's a couple factors in there, as we are seeing good efficiencies on thermals and the sustaining cap there. It's really a factor of the product mix and what you're assuming and where you're deploying your capital to hold that production flat, is really the factors in that we're holding it really flat at that \$1.8 billion range. It really depends on your product mix and where you're filling your capital.

Robert Peabody:

But it wasn't an accident.

Jeff Hart:

No.

Robert Peabody:

We did recognize that change.

Trevor Bolland:

Good morning. Trevor Bolland with CIBC; just curious if you could touch on the Lloyd Asphalt Upgrader, given that you're going to be, kind of long heavy blend by 2022. Just maybe give us a timeframe on the lead time for this project and how long the build-out would be. Thanks.

Robert Peabody:

Sure, absolutely. I'd add a couple of things there. One is, clearly, since we originally looked at that project, it's important to understand, the Superior acquisition kind of displaced that project initially. It was a better way to get asphalt capacity at a much more capital efficient, in that case, so we went ahead with that.

As we look forward, that is an option in our portfolio; it still looks good, still looks like it would earn a good return, but what we're looking at, at the same time, is where do these pipelines and egress issues go? Because that project is more attractive if you are having trouble moving the product further out of field.

As Jeff Rinker explained, what we've got at the moment is we've got some flexibility as to when we would have to ever move forward with that project, and that is giving us flexibility in terms of timelines which allows us an opportunity to see how the current egress situation evolves. There's a lot of milestones over the next two years in that area which are going to tell us whether we can actually easily reach a lot of different markets, or whether we're more constrained. In a more constrained world, that project would come forward, and in a less constrained, it would probably move back.

Any other questions? Okay, well, we'll have lots of time over lunch for that, and you can talk to any of us one-on-one.

I just want to say, if that's the last question, thanks for spending your morning with us, we really appreciate it. The whole team, as I say, will be here for the next little while over some lunch if you want it, which I think is just out the doors. Thanks again for coming today. Thanks.