Husky Energy

Community Report 2013

Contents

CEO Message

Throughout this report you will see how we are building a sustainable business, from meeting our financial targets and ensuring our reserves replacement well outpaces production, to enhancing heavy oil recovery through a CO_2 capture pilot.

Our balanced growth strategy underpins the delivery of predictable outputs, or what I call higher quality returns, while our expansive portfolio of opportunities gives us the flexibility to maintain a balance of near, mid and longer term projects.

Our focus on continuous improvement in safety is equally important. Last year, our critical and serious incident rate decreased, as did our Total Recordable Injury Rate. At Husky we know that good safety is good business.

As a citizen of the community, we have a responsibility to our neighbours. For example, last year we provided assistance to communities in southern Alberta that were hit with a devastating flood and on an ongoing basis we work with a broad base of organizations that help make our communities stronger.

As we progress on this journey, we continue to deliver higher quality returns to our shareholders, while looking for ways to lighten our footprint and find balanced solutions to better protect the environment.

Asim Ghosh

Corporate Profile

Pikes Peak Thermal Facility

Husky is one of Canada's largest integrated energy companies. It is based in Calgary, Alberta and publicly traded on the Toronto Stock Exchange under the symbols HSE and HSE.PR.A.

The Company operates in Western and Atlantic Canada, the United States and the Asia Pacific Region, with Upstream and Downstream business segments. It employs more than 5,000 people.

In 2013, annual production averaged 312,000 barrels of oil equivalent per day (boe/d), with gross revenue of $24.2 billion and net earnings of approximately $2.0 billion, excluding a non-cash impairment.

Balanced Growth

Husky's balanced growth strategy includes a disciplined portfolio management and capital allocation process, delivering predictable results and providing a top-tier dividend for shareholders.

2013 Operational Highlights

Foundation

Husky is accelerating the development of high-return thermal projects in Heavy Oil, with thermal production increasing to 37,000 bbls/day. Three additional 10,000 bbls/day thermal projects were advanced.

The Company continued to transform its base in Western Canada with a focus on managing costs and advancing its liquids-rich gas and oil resource plays. It is on track to achieve its target of 50,000 boe/day from resource plays by 2017.

Husky continued to weatherproof its Downstream business, increasing the flexibility of the types of crude it can process, the range of products it can produce and the markets it can access. It sanctioned a crude oil flexibility project at the Lima Refinery in Ohio, which will allow it to process heavy oil from Western Canada.

Saskatchewan operations

2013 Operational Highlights

Asia Pacific Region

The Liwan Gas Project in the South China Sea achieved first production in the first quarter of 2014 and gas is now flowing into the mainland China market. The Company has a portfolio of projects it is pursuing in the region, including gas developments offshore Indonesia, where a fifth discovery was made in the Madura Strait.

Liwan Gas Project

Oil Sands

The Sunrise Energy Project progressed towards startup in the second half of 2014. The 60,000 barrels per day (30,000 bbls/day net) project will supply the BP-Husky Toledo Refinery, where bitumen will be processed into various transportation fuels.

Sunrise Energy Project

2013 Operational Highlights

Atlantic Region

Two more significant light oil discoveries were made at Bay du Nord and Harpoon in the Flemish Pass, adding to the earlier Mizzen discovery. Work began on a graving dock for the construction of a wellhead platform in anticipation of moving forward with the full development of the West White Rose field.

SeaRose FPSO

Delivering Results

Husky's portfolio of high-return, longer-wavelength projects over the near, mid and long term provides consistent, predictable earnings and cash flow growth.

Corporate Performance

Liwan Gas Terminal

Highlights

- Annual production averaged 312,000 barrels of oil equivalent per day.
- Cash flow from operations of $5.2 billion and net earnings of about $2.0 billion, excluding a non-cash impairment.
- Downstream throughputs averaged 317,000 barrels per day.

Husky has set financial and operational targets over the 2017 timeframe to deliver predictable value to shareholders, including a top-tier dividend.

Performance targets include:

- A compound annual production growth rate (CAGR) target of five to eight percent.
- Cash flow target of six to eight percent compound annual growth.
- Annual reserve replacement average greater than 140 percent.

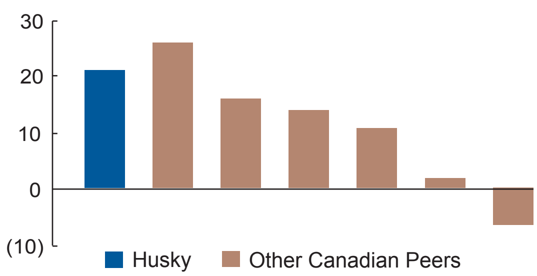
Pikes Peak South Thermal Project

	2010 Actual	2013 Actual	2012-2017 Targets [1]
Production (mboe/d)	287	312	5-8% CAGR [2]
Cash Flow from Operations [2]	$3.1 billion	$5.2 billion	6-8% CAGR [2]
Reserves Replacement Ratio [3]	184%	166%	> 140% average
Return on Capital in Use [2,4]	8.4%	12.6%	14-15% (5%)
ROCE [2,4]	6.4%	8.7%	11-12% (5%)

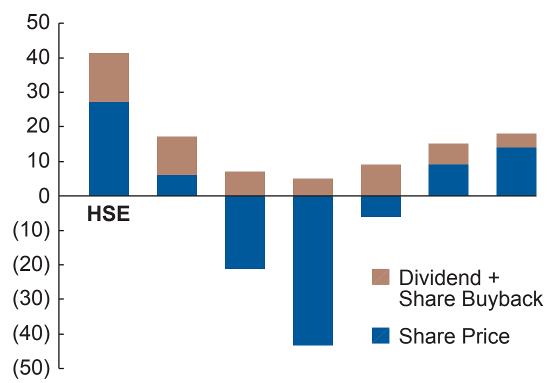
1 Based on current strip commodity price.
2 Non-GAAP measures.
3 Excluding economic revisions.
4 Adjusted for after-tax impairments on property, plant and equipment of $204 million. Please see advisory for further detail.

In 2013, Husky continued to provide a top-tier dividend. This resulted in shareholders receiving the highest percentage of cash compared to its industry peers, along with the highest overall return over three years.

2013 Total Shareholder Returns *(%)*



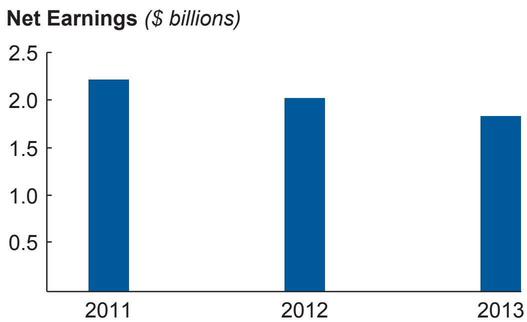
Total Shareholder Return
June 1, 2011 – June 1, 2014 *(%)*

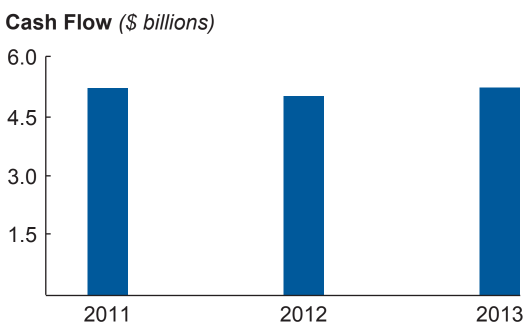


TSR data sourced from Bloomberg.
As of June 1, 2014. Peers include Canadian Natural Resources, Cenovus, Encana, Imperial Oil, Suncor and Talisman.

Net Earnings and Cash Flow

Net earnings in 2013 were approximately 2.0 billion, excluding a $204 million non-cash impairment on dry gas assets in Western Canada. Cash flow from operations for the year was $5.2 billion.





Production and Throughputs

Production in 2013 was 312,000 barrels of oil equivalent per day, within annual guidance and in line with the Company's plans to grow production five to eight percent on a compound annual basis over the 2017 timeframe.

Throughput at the Company's refineries and upgrader averaged 317,000 barrels per day, reflecting scheduled maintenance at its refineries in Lloydminster and Prince George and a major turnaround at the Lloydminster Upgrader.

Reserves Replacement

Reserves growth continued to outpace production, with an average proved three-year reserves replacement ratio between 2011 and 2013 of 172 percent, excluding economic factors. Including economic revisions, the average three-year proved reserves replacement ratio was 154 percent, ahead of the Company's five-year average target of 140 percent per year.

Reserves growth during the year reflected the addition of reserves in Husky's oil sands business, the full-scale development of the Ansell liquids-rich gas resource play and increased heavy oil recovery from thermal developments in Western Canada.

At the end of 2013, Husky had total proved reserves before royalties of 1.3 billion barrels of oil equivalent (boe), probable reserves of 1.9 billion boe and best estimate contingent resources of 13.2 billion boe. Its Oil Sands portfolio was responsible for 11.6 billion boe of the best estimate contingent resources total.

Safety Performance

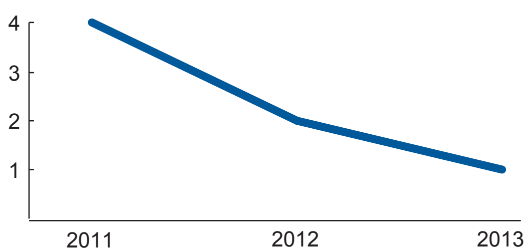
Good safety is good business

Purpose and Progress

Along with rigorous occupational safety programs, the Company continues to make improvements in process safety.

The rate of critical and serious incidents per hours worked has declined over the past four years. To achieve that, risks associated with specific types of incidents are identified and actions are taken to mitigate those risks. To continue improving, activities more likely to lead to a critical or serious incident are identified and workers take specific steps to reduce the possibility of injury.

Critical and Serious Incidents
(per 200,000 exposure hours)



Tucker Reaches No Lost Time Incident Milestone

Husky marked 1,000 days without a lost time incident at its Tucker thermal facility.

A commitment to hazard identification and control and good communication between employees and contractors contributed to the achievement.

Process Safety

Definitions of Tier 1, 2 and 3 process safety events are aligned with those of the International Oil and Gas Producers Association, American Petroleum Institute and the American Institute of Chemical Engineers' Center for Chemical Process Safety.

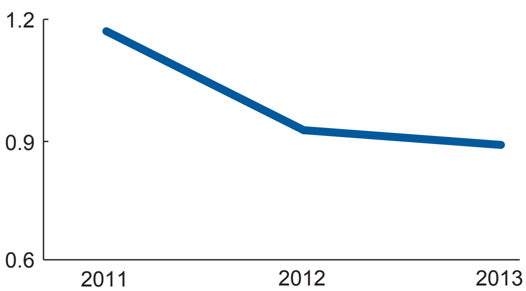
Additional criteria are in place for gas releases and other Loss of Primary Containment (LOPC) outcomes. Process safety and LOPC process safety training is provided and incidents are analyzed to determine how to improve equipment reliability and companion operating integrity practices.

Total Recordable Injury Rate

The total recordable injury rate (TRIR) measures fatalities, lost time, restricted work and medical aid incidents.

Husky achieved a 0.90 TRIR, which is fewer than 1.0 recordable injury per 100 workers per year. The rate has declined in each of the past three years.

TRIR *(per 200,000 exposure hours)*

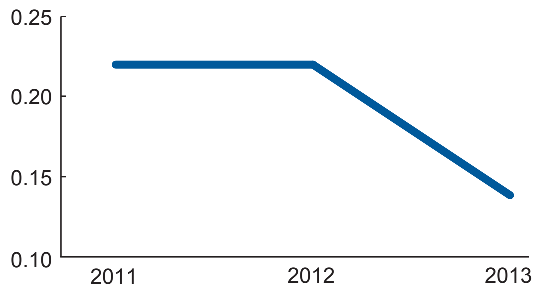


Lost Time Injuries

There were fewer Lost Time Injuries (LTI) in 2013 than the year before, with a Lost Time Injury Rate of 0.14 per 200,000 exposure hours.

Husky has a strong safety culture at its worksites and encourages employees to use the Husky Operational Integrity Management System, a consistent, enterprise-wide approach to managing operations, and a critical eye to identify and mitigate major accident hazards.

Lost Time Injuries Rate *(per 200,000 exposure hours)*



Motor Vehicle Accidents

Husky has a Corporate Driving Standard that includes mandatory driver training, in-vehicle monitoring and providing drivers with reports on their speed, seatbelt use and any unsafe driving.

Fifty-four employee motor vehicle accidents were recorded in 2013, compared to 50 the year before. The Company's fleet of approximately 1,400 vehicles covered 40.6 million kilometres in 2013, up from 38.7 million kilometres in 2012.

Following the 2013 pilot, Husky will be installing Drive Safe devices in company vehicles to further improve safety for drivers and the public. The program reinforces good driver behaviour and streamlines reporting to better identify trends and issues. It provides further protection for employees working in isolated areas or driving alone.

OmniSafe

The Company's comprehensive OmniSafe incident tracking tool enables workers to report events, as well as provide ongoing monitoring and assessment to anticipate and manage potential operational incidents.

All "loss" and "no loss" (near-miss) events are tracked in OmniSafe. Investigation results, action items and lessons learned are identified and monitored for completion. This information is used for safety alerts, statistics reports, risk analysis, management reporting and training development.

Streamlining how events, such as injuries, equipment failures and complaints from the public, are reported and reviewed can proactively reduce the probability of repeat events.

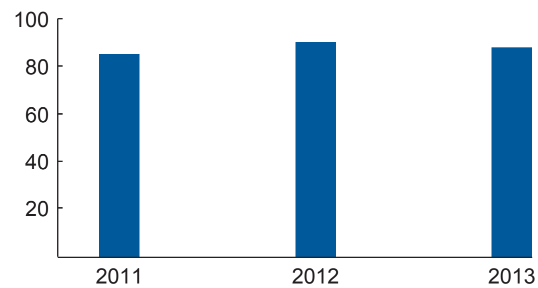
Industrial Hygiene

Husky's industrial hygiene program identifies and controls occupational health hazards. A clear understanding of these potential exposures allows the Company to better prevent the development of occupational illnesses.

This year, the program included 88 surveys, with samples from more than 1,300 employee and areas. The surveys assess whether there is exposure to potentially hazardous materials or environments.

To support the safe and proper handling of chemicals, Husky aligns the chemical inventories at its North American operations with a system-wide record of material safety data sheets and other related documents. The system tracks and administers the availability of chemical hazard information for employees and supports legislation focused on hazard identification, controls and reporting.

Industrial Hygiene Assessment Surveys



Delivering Results

Husky continues to improve its safety performance, with a declining number of serious and critical incidents. The Company had one critical or serious incident per 200,000 exposure hours in 2013, down from two the year before.

Operational Integrity

Prince George Refinery

keep safety insight

Safe and responsible operations are guided by the Husky Operational Integrity Management System (HOIMS).

Each HOIMS element has a specific aim and a clear set of expectations to continuously improve operational integrity:

1. Leadership, Commitment and Accountability
2. Safe Operations
3. Risk Assessment and Management
4. Emergency Preparedness
5. Reliability and Integrity
6. Personnel Competency and Training
7. Incident Management
8. Environmental Stewardship
9. Management of Change
10. Information, Documentation and Effective Communication
11. Compliance Assurance and Regulatory Advocacy
12. Design, Construction, Commissioning, Operating and De-Commissioning
13. Contracting Services and Materials
14. Performance Assessment and Continuous Improvement

Operational integrity means performing activities safely and reliably to provide for efficient and consistent performance.

To protect the public, minimize potential risks to the environment, safeguard the health and wellbeing of employees and shelter Company assets from damage or loss, potential hazards and risks are identified, eliminated or mitigated.

Husky's Keep Safety In Sight campaign promotes leadership at all levels of the organization, and encourages employees to use HOIMS processes and procedures, training and a critical eye to identify and mitigate major accident hazards.

The Company sets operational integrity targets in its annual objectives.

Delivering Results

Operational integrity is built into Husky's business and it continues to improve process safety and drive consistent performance.

Managing Risks

Lloydminster Upgrader

Purpose and Progress

Husky builds risk management and mitigation practices into strategic planning and operational processes through policies, standards, processes and best practices for equipment selection and personnel training and competency.

Enterprise Risk Management

The Enterprise Risk Management (ERM) program supports decision making through the comprehensive and systematic identification and assessment of hazards and risks that could impact the health and safety of people, property and the environment.

With ERM, Husky is able to provide greater certainty that risks are well managed, leading to increased confidence in the communities in which it operates, as well as for the Company's shareholders, customers and suppliers.

Last year, the Corporate Risk Management group initiated a major review of the Company's risk and mitigation activities, to better identify and manage risk, understand the enterprise's risk-drivers and promote a culture of risk awareness. It determines who is accountable for managing and mitigating each risk and identifies any emerging issues.

Flood Tests Contingency Plans

In 2013, Calgary and surrounding areas were hit with a damaging flood. Business Continuity contingency plans were enacted and enabled business to continue without disruption.

Calgary was one community affected by the 2013 floods

Emergency Preparedness

Response to potential emergencies that have the ability to affect employees, the community, the environment and/or the Company's assets and reputation are guided by Emergency Response Plans (ERPs).

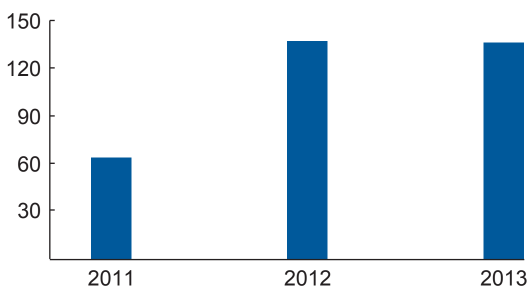
Activation protocols, organizational structures, processes and plans are designed to guide a consistent and effective response to an event.

The Company's procedures are based on the Incident Command System (ICS), a standard emergency response model used across Canada and the U.S. to provide an effective response across all operations. The ICS system streamlines the response so that the most important action items are addressed in priority order and under clear accountabilities.

Regular cross-departmental training and consistent, repeatable processes are an integral part of emergency preparation. In 2013, the Company conducted 135 emergency exercises. It is an active member of spill cooperatives and preparedness programs, participating in additional training and groups within these organizations.

ERPs are developed and regularly updated for all areas of operations.

Total ERP Exercises



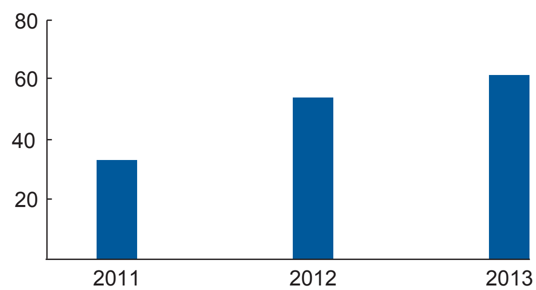
Bolney/Celtic Oil Battery

Business Continuity Planning

Husky develops and supports contingency plans and measures to mitigate the impacts of a business-interrupting event.

The Company has completed 73 Business Continuity Plans since the program started in 2008. Exercises are conducted each year to maintain plans and response capabilities.

Business Continuity Planning Exercises



HSE Policy

Husky is committed to operational integrity. Operational integrity at Husky means conducting all activities safely and reliably so that the public is protected, impact to the environment is minimized, the health and well-being of employees is safeguarded, contractors and customers are safe, and physical assets (such as facilities and equipment) are protected from damage or loss.

The Company conducts its business so as to maximize positive impacts on current and future generations in accordance with Husky's values, while minimizing the use of non-renewable resources. In particular, Husky will:

- *Demonstrate leadership and commitment to operational integrity by providing support to meet this HSE policy, as well as providing a culture where there is recognition for positive performance and disciplinary action, where appropriate, for breaches of this policy.*
- *Require every member of staff, and those who work on our behalf: to be a leader in HSE; to exercise personal responsibility in preventing harm to themselves, to others, to the environment and to physical assets; and, to stop any work that is or becomes unsafe.*
- *Require every member of staff and those who work on our behalf: to report all incidents regardless of severity. Incidents will be investigated to determine the root cause, lessons learned will be shared, and, corrective actions will be taken. Husky aims to sustain an incident free workplace.*
- *Identify and mitigate risk to as low as reasonably practicable during design, construction, commissioning, operation and decommissioning of all assets.*
- *Prepare for and respond to emergencies efficiently and effectively.*
- *Comply with relevant laws, regulations and industry standards and take any additional measures considered necessary to meet the intent of this policy.*
- *Demonstrate continuous improvement by: establishing leading and lagging key performance indicators and measurable performance goals, monitoring and reporting on the progress of our performance, and, conducting risk-based audits.*

Code of Business Conduct

In accordance with the Company's Code of Business Conduct, Husky's employees are expected to conduct themselves in an ethical manner, with a high degree of personal integrity. Employees take mandatory training so that they are aware of their responsibilities.

Ethics Help Line

The Company has established a confidential and anonymous Ethics Help Line where employees can ask questions or report perceived breaches of the code of conduct.

The Ethics Help Line is hosted by Ethics Point, an independent service provider. Information from submissions is captured and submitted anonymously to an Ethics Help Line Committee, including representatives from legal, audit, security, health, safety, environment and human resources.

Delivering Results

The Company conducted more than 130 exercises to better prepare for emergencies and increased the number of business continuity exercises, to provide for safer and more efficient operations.

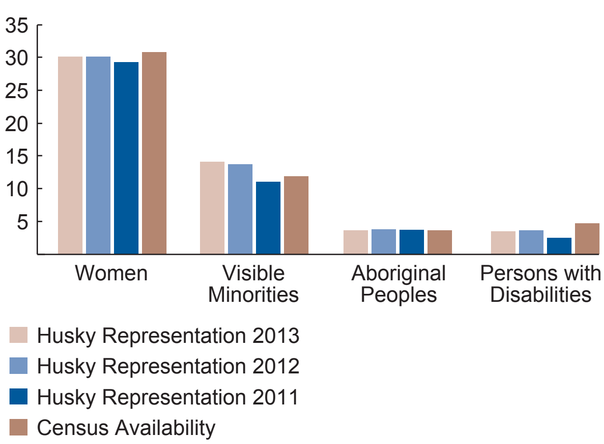
People

Supporting a Diverse and Inclusive Workplace

Husky seeks to attract, retain and engage employees through initiatives which support a more inclusive workplace. The Diversity and Respectful Workplace Council provides local representation in all areas of operations. Training and education programs are undertaken to help increase understanding and encourage a respectful work environment.

As a member of the Government of Canada's Federal Contractors Program, Husky has a comprehensive Employment Equity Plan designed to ensure four designated groups – women, Aboriginal Peoples, persons with disabilities and visible minorities – are appropriately represented in its workforce, while eliminating barriers to employment and advancement.

Overall Demographics Comparison to Census Data



Investing in Power Engineers

Husky continues to develop the next generation of power engineers and address a critical skills shortage.

Last year Husky partnered with the Saskatchewan Institute of Applied Science and Technology (SIAST) to invest in upgrades to its power engineering lab and provide scholarships and employment opportunities to students. This builds on an earlier donation to the power engineering program at Lakeland College in Lloydminster, Alberta.

Measures have been implemented to improve the representation of women and minorities in middle management positions and an Alberta outreach strategy aims to increase the number of persons with disabilities in professional positions. The Company has expanded its activities with the Women's Leadership Network in Newfoundland and Labrador.

Last year, Husky initiated an Aboriginal Employee Resource network, building on existing scholarship, mentorship and employment programs. The network supports the attraction and retention of Aboriginal employees and creates opportunities for peer coaching and mentoring.

Prince George Refinery

Total Rewards

Husky invests in its employees with professional development opportunities, as well as a competitive compensation package designed to attract and retain workers. Compensation, which includes base salary, short and long-term incentives and an employee share purchase program, is based on a pay-for-performance philosophy, aligning employee rewards with achieving business objectives.

Last year, the Company issued its first annual personalized Total Rewards Statement, giving employees a complete picture of how they benefit from, and can maximize, the total rewards programs.

Husky's fully-funded, comprehensive benefits package includes programs designed to help employees and their families maintain physical and emotional health, with supplementary medical and dental care, income protection (ie: life and accident insurance, short and long-term disability coverage), registered retirement programs and planning assistance, vacation and paid time off.

The Company understands the contribution healthy employees make to its success and provides access to the Employee and Family Assistance Program, positive health challenges and an annual wellness fair.

Delivering Results

Respectful and diverse workplace practices, and Husky's philosophy of aligning employee rewards with achieving business results, helps the Company attract and retain talented people. The Company's employee turnover rate last year was 5.5 percent, below the Canadian producing oil and gas industry average.

Aboriginal Engagement

Tulita Moose Skin Boat

Purpose and Progress

Relationships with Aboriginal communities are based on cooperation, transparency and consultation to further mutual interests.

Education

Academic opportunities can lead to improved career choices for Aboriginal youth. Husky's Aboriginal Education Awards Program and its Aboriginal Mentorship Program broadens the educational choices available to students.

The Company's Aboriginal Education Awards Program awarded six bursaries last year to Aboriginal students for high school upgrading and post-secondary education related to careers in the oil and gas field. Scholarships are based on academic achievement and applicants' career goals in the petroleum industry. Husky has contributed more than $1 million to this program since its inception in 1984.

The Aboriginal Mentorship Program provides training opportunities to Aboriginal students entering or currently enrolled in areas of high-growth job demand in the oil and gas industry. In the program's second year, five students were placed at the Rush Lake heavy oil thermal project, the asphalt refinery in Lloydminster and the head office in Calgary to gain experience in a variety of fields.

Husky Supports the Kahkiyow Keykanow Elders Care Home in Fort Chipewyan

Husky supported the Fort Chipewyan Kahkiyow Keykanow Elders Care Home with a $500,000 donation. The facility enables elders to be cared for while continuing to live in their community.

CEO Asim Ghosh, Mikesiw Cree First Nation Chief Steve Courtoreille, Athabasca Chipewyan First Nation Chief Allan Adam, Fort Chipewyan Métis Local 125 President Fred Fraser

Culture and Community

The Company participated in community events throughout Western Canada and in the Northwest Territories, including cultural and wellness programs:

- The new Kahkiyow Keykanow Elders Care Home in Fort Chipewyan
- A hot breakfast program at Chief Albert Wright School in Tulita, NWT
- An initiative in Norman Wells, NWT that increases youth participation in school-related activities

In the Northwest Territories, Husky provided assistance to the Tulita Moose Skin Boat Project, which brought together elders and youth from the community for a traditional lifestyle project.

Economic Development

A keen focus is placed on building capacity in Aboriginal businesses, establishing competitiveness and developing entrepreneurs. Opportunities are created to provide goods and services on a competitive basis.

To further support its efforts in fostering economic development with Aboriginal partners, Husky is a member of the Canadian Council for Aboriginal Business (CCAB), the Northeastern Alberta Aboriginal Business Association (NAABA) and the Circle for Aboriginal Relations (CFAR) Society.

Tulita Builds Traditional Moose Skin Boat

Elders and youth from the community of Tulita in the Northwest Territories came together to build a traditional moose skin boat, the first in almost 30 years. It helped mark the 20th anniversary of the Sahtu Dene and Metis Comprehensive Land Claim. Husky sponsored the project, which took almost a year of planning, including gathering sinew for stitching the moose hides. The boat, 10-metres long and 2.5-metres wide, travelled almost 200 kilometres down the Keele and Mackenzie Rivers to Tulita.

Tulita community members welcomed the arrival of the boat

Delivering Results

Husky developed mutually beneficial business opportunities with its Aboriginal partners in 2013 and supported education with six bursuries. A $500,000 donation was made to the Kahkiyow Keykanow Elders Care Home in Fort Chipewyan.

Community Investment

Husky Energy Healing Garden

Purpose and Progress

Husky's Community Investment Program strengthens relationships through support for non-profit health, education and community initiatives.

The Company's $1 million donation in the wake of damaging floods in southern Alberta immediately assisted with flood response and relief efforts, and later helped communities with recovery and rebuilding initiatives. Employees were encouraged to assist where they could.

As part of Husky's 75th anniversary in 2013, the Company made donations to a number of organizations which do outstanding work in their communities.

Health and Wellness

Highlights include:

- A $500,000 contribution to the Kahkiyow Keykanow Elders Care Home in Fort Chipewyan, so that elders can continue to live in their community.
- A $75,000 donation to the Lloydminster Regional Health Foundation for Lifeline pediatric and neonatal crash cart upgrades.
- A $50,000 pledge to the Children's Music Therapy Program at Hull Services, using music to reach abused and neglected children.

Husky Supports Interest in Science and Technology

Husky supports Techsploration in Newfoundland and Labrador, a program where mentors work with young women to spark an interest in science and technology. Techsploration aims to increase the number of women working in trades, sciences and technical fields.

Students learn about science and technology

Supporting Education

Highlights include:

- A $1.125 million partnership with the Saskatchewan Institute of Applied Science and Technology (SIAST) in Saskatoon to help address a critical shortage of power engineers in the area. Support was provided directly to students via scholarships and employment, along with a donation to improve the Institute's Power Engineering Technology Lab, building on a similar donation at Lakeland College in Lloydminster.
- A $225,000 donation to the Workplace Health, Safety and Compensation Commission in Newfoundland and Labrador, to make first aid and CPR training part of the curriculum in the province's high schools.

Community

Highlights include:

- A $1 million donation to assist with immediate response, recovery and rebuilding efforts in southern Alberta after a damaging flood.
- A $50,000 contribution to the Hussar and District Hall, towards a gathering place for the community.

Husky Has Heart

The Husky Has Heart employee giving campaign raised almost $1.4 million in 2013, supporting more than 25 agencies in five regions. The charities were selected by employees, who made personal donations and staged creative events to raise money.

In Calgary charities benefitting were the Alberta Children's Hospital, Calgary Food Bank, Calgary Humane Society, Calgary United Way, Calgary Women's Shelter, Calgary Zoo, Canadian Cancer Society (Alberta/NWT Division), Calgary Drop-In & Rehab Centre, Heart & Stroke Foundation and the Mustard Seed. Shoes and warm clothing were also collected for donation.

St. John's, Lloydminster and Ram River employees support a number of local organizations in their areas, while Sunrise employees donated to Make-A-Wish Northern Alberta and Lima employees contributed to the Lima Allan County United Way.

The Husky Has Heart campaign donated to 10 Calgary charities

Delivering Results

Husky's employees supported almost 30 non-profit agencies in 2013 through the employee giving program, building stronger communities.

Environment

Purpose and Progress

The Company is committed to minimizing its impact on land and habitat, air and water, in line with efforts to achieve continuous improvement across all segments of its business.

Husky closely monitors the impact of its operations and actively seeks ways to mitigate and further reduce its environmental footprint in a number of operational areas, including:

- Land and Habitat
- Pipeline Integrity
- Spill Management
- Air Quality
- Water Resource & Protection

Sustainability Groups and Industry Organizations

Husky participates in a number of sustainability groups and industry associations to better understand environmental, safety and social issues while benefitting from and contributing to industry innovation and best practices.

- Alberta Biodiversity Monitoring Institute (ABMI)
- Alberta Industrial Fire Protection Association (AIFPA)
- Beaver River Watershed Alliance
- Calgary Region Airshed Zone (CRAZ)
- Canadian Association of Petroleum Producers (CAPP)
- Canadian Fuels Association (CFA)
- Canadian Renewable Fuels Association (CRFA)
- Canadian Land Reclamation Association (CLRA)
- CDP
- China Offshore Environmental Services (COES)
- China Offshore Oil Operation Safety Office (COOOSO)

Earth Rangers School Outreach Program

Husky sponsors the Earth Rangers National Touring School Outreach Program, which educates students across Canada about animals and their natural behaviours. It focuses on natural science and the challenges to biodiversity across the country.

The Earth Rangers program has been enjoyed by students in more than 550 schools. Husky supported the program's expansion into Newfoundland and Labrador.

Students learn about biodiversity through the Earth Rangers program

- Clearwater Mutual Aid CO-OP
- Conference Board of Canada – Council on Emergency Management
- Cumulative Environmental Management Association (CEMA)
- Decentralized Energy Canada (previously WADE Canada)
- Eastern Canada Response Corporation (ECRC)
- Environmental Citizens Action Committee
- Environmental Services Association of Alberta (ESAA)
- Foothills Land Management Forum (FLMF)
- Foothills Research Institute – Grizzly Bear Program
- Hardisty Air Management Zone Association (HAMZA)
- Indonesian Petroleum Association (IPA)
- Integrated CO_2 Network (ICO_2N)
- International Oil & Gas Producers Association (OGP)
- IPIECA
- Lakeland Industry and Community Association (LICA)
- LPG Emergency Response Corporation (LPGERC)
- Lloydminster Emergency Preparedness Stakeholder Group
- Mackenzie Delta Spill Response Corporation (MDSRC)
- Marine Pollution Control
- Mutual Aid Alberta
- North Saskatchewan Watershed Alliance
- Ohio Chemistry Trade Council (OCTC)
- Oil Spill Response Limited (OSRL)
- One Ocean
- Orphan Well Association
- Ottawa River Coalition (ORC)
- Parkland Airshed Management Zone (PAMZ)
- Petroleum Technology Alliance Canada (PTAC)
- Plains CO_2 Reduction (PCOR) Partnership
- Prince George Air Improvement Roundtable (PGAIR)
- Prince George Industrial Mutual Aid Committee
- Regional Aquatics Monitoring Program (RAMP)
- Saskatchewan Petroleum Industry Government Environmental Committee (SPIGEC)
- Southeast Saskatchewan Airshed Association (SESAA)
- China's State Oceanic Administration (SOA)
- Upstream Saskatchewan Spill Response Co-op Area 2, 3 & 4 Spill Response Cooperatives
- Water Technology Development Centre (WTDC) – COSIA joint industry project
- Western Canadian Spill Services (WCSS)
- Western Yellowhead Air Management Zone (WYAMZ)
- Wood Buffalo Environmental Association (WBEA)

Husky and Students Team Up for Bat Conservation

Last year, Husky worked with Calgary elementary school students to build 58 bat houses, while educating the youth about the importance of bats to local ecosystems. The mammals assist with pollination, seed dispersal, insect control and air purification.

The boxes were placed at roosting grounds near the Company's Tucker, Slater River, McMullen and Rainbow Lake operations. Working with the City of Calgary, the houses were also placed in local neighbourhoods and parks.

Calgary students built 58 bat houses

Delivering Results

Husky continues to make progress in its efforts to reduce its impact on land and habitat, air and water. It is reducing its upstream flaring and venting volumes in Alberta, where it conserves more than 95 percent of gas at its operations.

Land and Habitat

Land stewardship is fundamental to operations

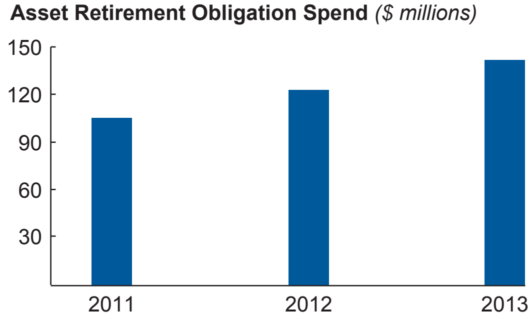
During operations, the Company makes every effort to steward the land in its care and then return it to its pre-disturbance condition.

Asset Retirement

The Company uses its Environmental Performance Reporting System to track its liabilities at the site level and adjust estimates as new information becomes available. End-of-life asset retirement obligations (ARO) are tracked and disclosed on a quarterly basis, complying with financial reporting regulations. This allows Husky to better estimate its obligations and account for appropriate financial resources for abandonment, reclamation and remediation activities.

In 2013, Husky initiated a program to prioritize its asset retirement obligations over the next five years, allowing it to reduce risk from inactive facilities. The long-term, proactive abandonment program is expected to reduce the amount of time between abandonment and retirement to less than eight years, while meeting compliance and stakeholder obligations.

Asset Retirement Obligation Spend *($ millions)*



Adding to Knowledge of Wolverines

Husky is working with the University of Alberta and the Dene Tha' First Nation to study wolverines in Northern Alberta, bolstering the scarce information known about the animals. The wolverines will be captured, radio-collared and tracked by U of A researchers, providing data on the range of wolverine habitat and corridors travelled, gene flow and the impact of industrial development.

Dene Tha' students are working with the researchers to build wood traps for the three-year study. The Dene Tha' First Nation supports the work as part of efforts to document their traditional land uses.

Husky is working with the University of Alberta to study wolverines

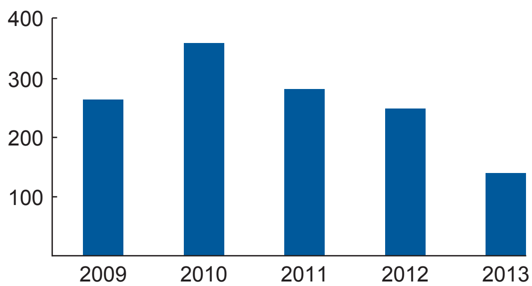
Land Management

When land is disturbed during Company operations, Husky's objective is to remediate and reclaim the area.

Land is restored so it can support similar ecological functions to those that existed before any disturbance. This could include re-contouring sites, replacing soil layers and re-establishing vegetation in a timely manner.

All reclamation sites are submitted for regulatory approval and land owner and/or occupant review, and Husky has achieved a 98 percent approval rate on its submissions. Over the past 10 years, the Company has certified 3,639 sites and returned approximately 7,300 hectares of land to its pre-disturbance condition.

Reclamation Certificates



Reclamation certificates are released by the regulator after it verifies the site meets reclamation and remediation criteria. This process generally takes at least five years after initial reclamation work is done, to determine whether the site has been restored back to equivalent capability.

Husky's increased abandonment efforts have led to increased activity on new reclamations. There are approximately 2,800 sites in active reclamation, assessment and/or monitoring. The Company's reclamation certificates are expected to increase as these sites are completed and verified. Husky conducts active research and shares information inside the Company and with peers.

Western Canada operations

Pipeline Integrity

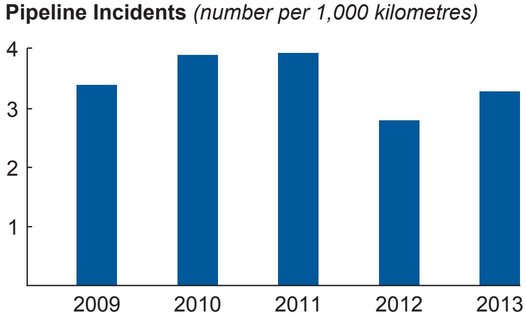
Sunrise pipeline

Husky continues to enhance its Pipeline Integrity Management Program with a focus on pipelines that cross waterways, as well as pipelines that require abandonment.

Using the Pipeline Integrity Management Program, the Company monitors and manages its 30,000 kilometres of pipelines from design and construction through to operation, maintenance and abandonment.

The program, with the goal of improved integrity and a reduced incident rate, includes a risk assessment with accelerated levels of response. Those range from a quantitative risk assessment on an as-needed basis to a baseline assessment conducted every five years to a consequence-based assessment done annually.

Pipeline Incidents *(number per 1,000 kilometres)*



Husky's pipeline incident rate in 2013 was 3.28 incidents per 1,000 kilometres.

Pipeline Integrity Inspected

As a precaution during last year's flooding in southern Alberta, Husky shut in production along its Burnt Timber system so that the integrity of the pipeline and surrounding ground could be inspected once the water receded. Production was restarted when pipeline integrity was confirmed.

The Company continues to enhance its pipeline intergrity management program

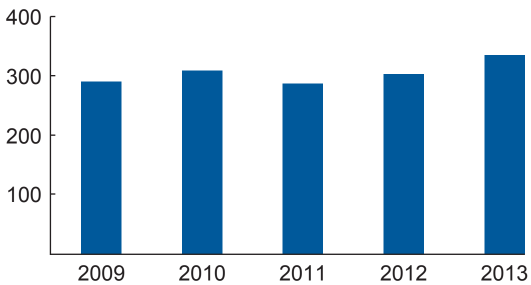
Spill Management

In the event of a spill, Husky responds immediately, implementing containment and recovery plans while safeguarding workers and the environment.

The Company has a number of internal programs across its operations to minimize releases and spills, including a pipeline integrity management program, emergency response plans and a spill response program.

A monthly Husky Operational Integrity Management System (HOIMS) scorecard and increased analysis of data are intended to assist the Company in improving pipeline integrity.

Reportable Release Incidents Count



Ram River Upgrades

As a result of two produced water releases at its Ram River facility, Husky undertook a number of upgrades in 2012 and 2013 to reduce the risk of a future spill. These included improvements to how water and waste water is transferred and released, as well as new underground pipes and pipe and pump modifications.

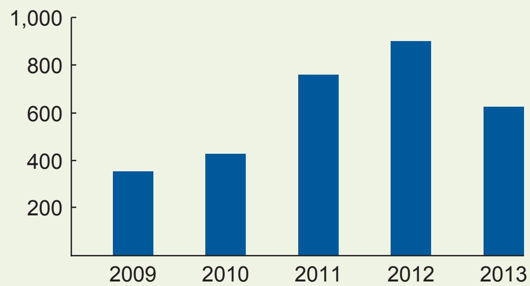
Upgrades at Ram River reduce the risk of spills

Reportable Release Incidents Volume

For reportable events, Husky's spill response team is immediately activated and regulatory authorities notified. The sites are assessed and monitored, and remediation plans are developed and implemented..

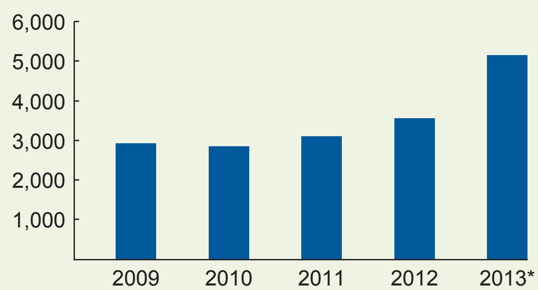
The hydrocarbon release volumes in 2013 decreased from 2012. The amount of other fluids released increased during the same period.

Hydrocarbons *(m^3)*



Includes unrefined hydrocarbons (crude oil and natural gas liquids).

Other Volumes *(m^3)*



Includes fluids such as refined products, produced water, process chemicals and other substances used in operations or generated as waste materials.

* *This number does not include 5,720 m^3 of process sewage sludge released onto land at the Sunrise Energy Project, which was contained and has been remediated.*

* *Over half the volume resulted from five pipeline releases. All were saline produced water and approximately 90 percent was recovered. Most of the remaining volume was saline produced water.*

AIR QUALITY

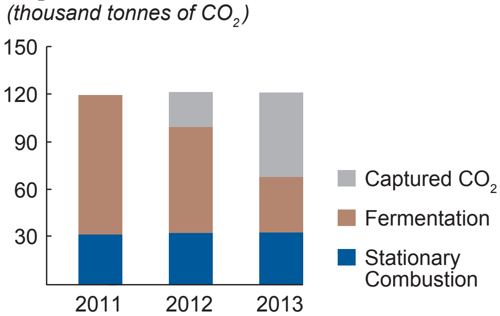
Sunrise site

Emissions

Husky is working to reduce its emissions, including capturing carbon dioxide, reducing energy consumption, minimizing fugitive emissions and mitigating flaring and venting.

The Company's air quality and climate change strategies include measuring and reporting greenhouse gas (GHG) emissions and criteria air contaminants, such as sulphur dioxide (SO_2) emissions. This provides an opportunity to evaluate reported emissions and forecast at the corporate and individual facility level.

CO_2 Capture at the Lloydminster Ethanol Plant
(thousand tonnes of CO_2)



CO_2 Capture for Enhanced Oil Recovery

Capturing CO_2 at Husky's Lloydminster Ethanol Plant reduces emissions and aids in enhanced oil recovery. The project has captured more than 100,000 tonnes of CO_2 since it began in 2012.

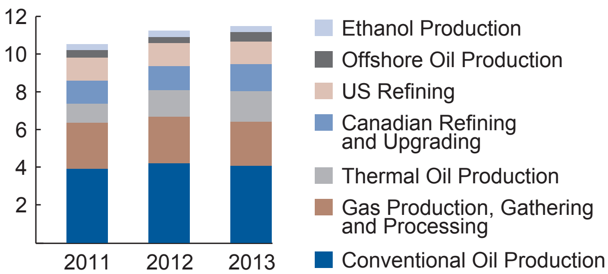
The Company is participating in three small-scale CO_2 capture pilot projects to test and evaluate the technologies for enhanced oil recovery. The projects capture CO_2 from the exhaust gas emitted by a once-through steam generator at the Pikes Peak South heavy oil thermal plant.

CO_2 bullets at the Lloydminster CO_2 processing facility

Husky meets emissions regulatory compliance in all jurisdictions, including third-party verification where required.

The Company's air emissions strategy is supported by its Environmental Performance Reporting System (EPRS), allowing for reports that are consistent, and that can be reproduced and audited.

GHG Emissions *(million tonnes of CO_2e)*

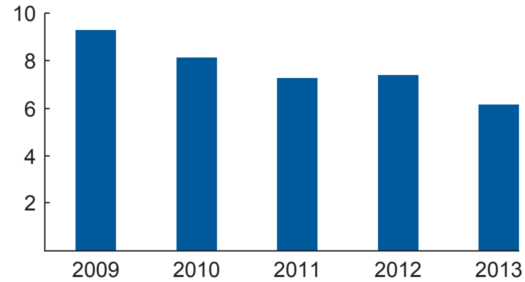


Data is based on gross operations, as at Dec. 31, 2013. Drilling and completions emissions are estimated and reported as required by jurisdictions.

The 2.2 percent increase in GHG emissions over 2012 can be attributed to increased thermal production, a temporary change in process conditions at the Lloydminster Upgrader and increased production in the Atlantic Region due to an offstation the year before. This was offset by a slight decrease in Western Canada production.

In 2013 Husky adopted new global warming potentials used for calculating carbon dioxide equivalency for corporate emissions and emissions for past years have been recalculated on that basis.

Sulphur Dioxide Emissions *(thousand tonnes)*



Decrease in 2013 emissions is attributed to a reduction in inlet volumes and an increase in sulphur processing efficiency at the Ram River Gas Plant.

CDP Climate Disclosure Leadership Index Top 10%

Husky's disclosure of carbon risk and opportunities was recognized in the 2013 CDP Canada 200 Climate Disclosure Leadership Index, with placement in the top 10%. Husky contributes to the CDP's Climate Change Program, an international forum which measures, discloses, manages and shares environmental information.

Husky was recognized by the CDP Leadership Index

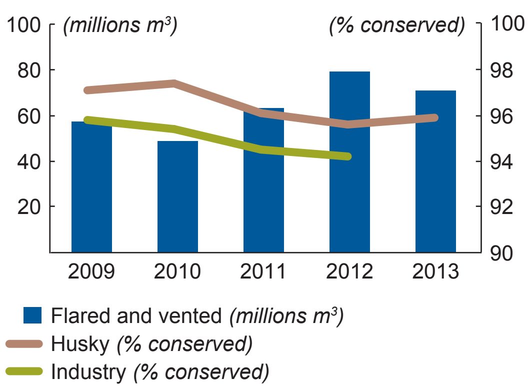
Gas Conservation

As part of reducing its emissions, Husky conserves gas from operations where it is practical and economic. The focus is on complying with regulatory requirements and using technology to improve operational emissions performance.

The Company estimates overall solution gas conservation at its Alberta operations in 2013 was 95.9 percent, an increase from 95.6 percent in 2012. Data from the annual Alberta Energy Regulator's Upstream Petroleum Industry Flaring and Venting Report shows Husky's gas conservation in the province between 2009 and 2012 was above the industry average.

Last year, the Company's upstream flaring and venting volumes in Alberta decreased 10.5 percent from the year before.

Alberta Gas Conservation



Source: 2009-2012 Alberta Energy Regulator, 2013 estimated by Clearstone Engineering Ltd. Conservation = [Volume of gas produced – (Volume of gas flared + Volume of gas vented)]. All reported flared volumes include gas that was incinerated. Venting = the non-combusted release of gas to the atmosphere.

Fugitive Emission Management Program

The Fugitive Emission Management Program detects, manages and repairs leaking equipment to reduce emissions, including volatile organic compounds (VOCs). It improves the Company's operating efficiency by tracking where and when leaks occur and linking to procurement strategies to improve future equipment purchases.

Fugitive emissions are hydrocarbon leaks from valves, piping connections, pumps and compressor seals and other piping system components that occur as part of the normal wear and tear in plant operations. Husky uses six highly specialized infrared cameras that can detect small emissions from long distances, providing a better view of normally inaccessible locations such as tank seals and overhead piping.

Water Resource & Protection

Improving water management

Purpose and Progress

Husky continues to improve its ability to track water metrics across the company using its Environmental Performance Reporting System. It provides information to the Canadian Association of Petroleum Producers and the International Oil and Gas Producers Association for better industry awareness.

The Company participates in the CDP Water Module, an international forum which measures, discloses, manages and shares environmental information. Providing this information helps drive better measurement and transparency of water issues across the industry.

Water Withdrawals

Husky continues to seek ways to conserve and recycle water, including looking at alternative water sources, recycling produced water and using an alkali surfactant polymer (ASP) to increase water efficiency.

The Company withdraws water for industrial use, drawing on saline and non-saline sources.

In 2013, non-saline water withdrawal increased slightly due to new thermal projects in Saskatchewan, which are located in areas with relatively low surface water use. Offshore saline withdrawals increased year over year as the *SeaRose* returned to full operation following planned maintenance.

Husky Minimizes Groundwater Use at Sunrise

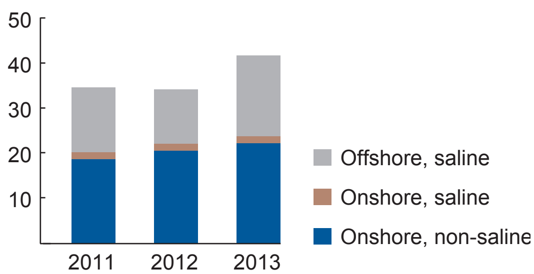
The Sunrise Energy Project will use process-affected water from a nearby operation, after it has been treated, to generate steam. Re-using the water allows the Company to conserve and recycle water, while minimizing the amount drawn from groundwater sources.

Sunrise is using treated process-affected water to generate steam

Approximately 7.4 million m^3 of non-saline water withdrawn for use in the refineries was offset by 5.2 million m^3 returned to the surface hydrologic cycle after being treated in multiple stages, including separating oil from the water and applying biological treatments. Before being discharged, the water is tested for regulatory compliance.

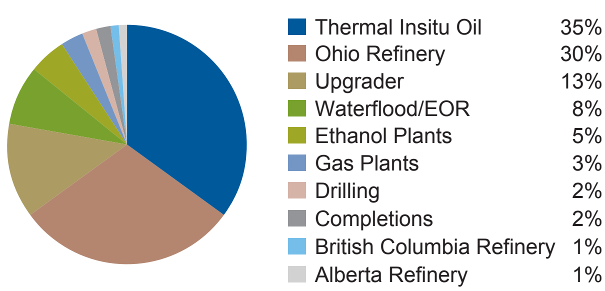
The withdrawal of 17.6 million m^3 of offshore saline water in 2013 was offset by discharging 12.5 million m^3 of cooling water that wasn't impacted back to the sea.

Water Withdrawals *(millions m^3)*



Water withdrawals are for industrial use, excluding construction and drilling and completion purposes. Fresh water is defined as having a total dissolved solids concentration of less than 4,000 mg/L.

Onshore Non-saline Water Withdrawals by Operations



Non-saline Water Withdrawal by Watershed

Husky considers the water source for its operations, and any risks associated with using that source, including reliability, sustainability, quality, technical feasibility, net environmental effect, economics and regulatory and stakeholder concerns. Where risks are identified, mitigation plans are developed.

In 2013, 98 percent of non-saline water withdrawals occurred in areas considered not water short or low intensity, as defined by provincial regulatory bodies. One percent of the withdrawals occurred in areas considered water short or high intensity and one percent in areas considered potentially water short or moderate intensity.

Approximately half of the Company's onshore non-saline withdrawals were from the North Saskatchewan River watershed in Alberta and Saskatchewan. It was primarily used in thermal production and upgrading operations. Water is withdrawn from along the river in areas that aren't considered water short.

Approximately 30 percent of onshore non-saline withdrawals were from the Maumee River watershed in Ohio, for use at the Lima Refinery. More than 70 percent was returned to the surface hydrological cycle after being treated.

Key Numbers

This table provides a summary of key numbers related to the Company's operations and performance.

	Indicator	2013	2012	2011
Business	Production *(Thousands of barrels of oil equivalent per day)*	**312.0**	301.5	312.5
	Net Earnings *(Canadian $ millions)*	**1,829**	2,022	2,224
	Cash Flow from Operations[1] *(Canadian $ millions)*	**5,222**	5,010	5,198
	Capital Investment[2] *(Canadian $ millions)*	**5,028**	4,701	4,618
	Reserves[3] *(Proved and probable millions boe, before royalties)*	**3,127**	2,915	2,851
Safety	Total Recordable Injury Rate *(Number of recordable injuries per 100 workers per year)*	**0.90**	0.93	1.18
	Lost-time Injury Frequency *(Number of lost-time injuries per 200,000 exposure hours)*	**0.14**	0.22	0.22
	Material Safety Data Sheets	*Please see Industrial Hygiene, Page 9*		
Environment	Total Energy Use *(Gigajoules)*	**128,200,000**	126,690,000	120,220,000
	Total Direct CO_2 Equivalent Emissions[4, 5] *(Tonnes)*	**11,480,000**	11,230,000	10,520,000
	Total Indirect CO_2 Equivalent Emissions[5] *(Tonnes)*	**2,450,000**	2,450,000	2,310,000
	Fresh Water Withdrawal *(Million cubic metres)*	**22.1**	20.5	18.6
	Number of Spills	**336**	303	287
	Volume of Spills – Hydrocarbons *(Cubic metres)*	**624**	901	756
	Volume of Spills – Other *(produced/process water, refined products, other) (Cubic metres)*	**5,161**	3,556	3,141
People	Number of Employees *(Permanent)*	**5,479**	5,178	4,726
	Employee Turnover *(Percentage, voluntary and retirements)*	**5.5**	6.8	9.1
	Senior Executive Diversity *(Percentage of women, Canada)*	**13.3**	13.3	7.1
Community	Community Contributions *($ millions)*	**4.5**	–	–
Governance	Independent Board Members *(Percent)*	**60**	60	60
	Independent Audit Committee Members *(Percent)*	**100**	100	100
	Board Diversity *(Percentage of women)*	**13.3**	13.3	13.3
	Business Ethics and Transparency	*Please see Managing Risk, Page 13*		

All data is as of December 31, 2013, unless otherwise stated.

1 *Cash flow from operations is a non-GAAP measure. Refer to the Q4 MD&A, Section 11 on the Company's website for reconciliation.*

2 *Excludes capitalized costs related to asset retirement obligations incurred during the period.*

3 *Reserves are based on Canadian National Instrument 51-101 (NI 51-101) rules, which require the use of year-end forecast prices.*

4 *Includes emissions from fermentation to produce ethanol and all corporate Scope 1 GHG emissions.*

5 *Data from past years has been restated to align with 2013 calculation methodologies, including updated global warming potentials for methane and nitrous oxide emissions, as defined by the UN International Panel on Climate Change Fourth Assessment Report.*

About this Report

This report focuses on performance for the 12-month period ending December 31, 2013, unless otherwise noted.

All financial data is reported in Canadian dollars, and excludes discontinued operations. Please refer to the 2013 Annual Report and other reporting documents at **www.huskyenergy.com** for detailed information on financial and operational performance.

Financial information is presented on a net equity basis. Quantitative information is presented on a gross operated basis, unless stated otherwise.

Monitoring and Measurement

Asset retirement obligation data, emissions to air and water, groundwater quality and greenhouse gas data are calculated and recorded as per Husky's Environmental Performance Reporting System (EPRS).

Quantifiable data for operations is presented to meet or exceed regional jurisdictional and reporting requirements. Excluded data is footnoted.

Internal Governance and Verification

Husky's health, safety and environment activities are guided by a committee of the Board of Directors and the Executive Health, Safety and Environment Committee (EHSEC).

The data in this report has been reported, reviewed and approved in accordance with internal measurement and verification practices, and reflects information relevant to Husky's business sustainability and its shareholders.

Reader Advisories

Forward-Looking Statements and Information

Certain statements in this document are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of the applicable Canadian securities legislation, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. The forward-looking statements contained in this document are forward-looking and not historical facts.

Some of the forward-looking statements may be identified by statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "is targeting", "estimated", "intend", "plan", "projection", "could", "aim", "vision", "goals", "objective", "target", "schedules" and "outlook"). In particular, forward-looking statements in this document include, but are not limited to, references to:

- with respect to the business, operations and results of the Company generally: anticipated effect of the Company's pipeline of high-return, longer-wavelength projects over the near, mid and long-term on the Company's earnings and cash flow growth; and the Company's five-year targets for production, cash flow from operations, reserve replacement ratio, return on capital in use and return on capital employed;
- with respect to the Company's Atlantic Region: anticipated full development of the West White Rose field;
- with respect to the Company's Oil Sands properties: anticipated timing of start up and volumes of production at the Sunrise Energy Project; and
- with respect to the Company's Western Canadian oil and gas resource plays: the Company's target for production from resource plays by 2017 and its expectation of meeting that target.

In addition, statements relating to "reserves" and "resources" are deemed to be forward-looking statements as they involve the implied assessment based on certain estimates and assumptions that the reserves or resources described can be profitably produced in the future. There are numerous uncertainties inherent in estimating quantities of reserves and resources and in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary from reserve, resource and production estimates.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this document are reasonable, the Company's forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Company about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Some of these risks, uncertainties and other factors are similar to those faced by other oil and gas companies and some are unique to Husky.

The Company's Annual Information Form for the year ended December 31, 2013 and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com and the EDGAR website www.sec.gov) describe the risks, material assumptions and other factors that could influence actual results and are incorporated herein by reference.

Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable securities laws, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are dependent upon other factors, and the Company's course of action would depend upon its assessment of the future considering all information then available.

Non-GAAP Measures

This document contains certain terms which do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. None of these measurements are used to enhance the Company's reported financial performance or position. With the exception of net operating earnings and cash flow from operations, there are no comparable measures to these non-GAAP measures in accordance with IFRS. These non-GAAP measurements are considered to be useful as complementary measurements in assessing Husky's financial performance, efficiency and liquidity. These terms include:

- Cash Flow from Operations, which should not be considered an alternative to, or more meaningful than "cash flow – operating activities" as determined in accordance with IFRS, as an indicator of financial performance. Cash flow from operations is presented in the Company's financial reports to assist management and investors in analyzing operating performance by business in the stated period. Husky's determination of cash flow from operations may not be comparable to that reported by other companies. Cash flow from operations equals net earnings plus items not affecting cash which include accretion, depletion, depreciation, amortization and impairment, exploration and evaluation expense, deferred income taxes, foreign exchange, gain or loss on sale of assets and other non-cash items.

($ millions)	2013	2012	2011	2010
GAAP cash flow – operating activities	4,645	5,193	5,092	2,222
Settlement of asset retirement obligations	142	123	105	60
Income taxes paid	433	575	282	784
Interest received	(19)	(34)	(12)	(1)
Change in non-cash working capital	21	(847)	(269)	7
Non-GAAP cash flow from operations	5,222	5,010	5,198	3,072

- Net earnings excluding a non-cash impairment measures net earnings excluding extraordinary and non-recurring items not considered indicative of the Company's ongoing financial performance. Net earnings excluding a non-cash impairment is a complementary measure used in assessing Husky's financial performance through providing comparability between periods. Net earnings excluding a non-cash impairment equals earnings plus impairment of property, plant and equipment, net of tax.

($ millions)	2013
GAAP net earnings	1,829
Impairment of property, plant and equipment, net of tax	204
Non-GAAP net earnings excluding a non-cash impairment	2,033

- Compound Annual Growth Rate ("CAGR") measures the year-over-year growth rate over a specified period of time. CAGR is presented in Husky's financial reports to assist management in analyzing longer-term performance. CAGR is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.
- Return on Capital Employed ("ROCE") measures the return earned on long-term capital sources such as long term liabilities and shareholder equity. ROCE is presented in Husky's financial reports to assist management in analyzing shareholder value. ROCE equals net earnings plus after-tax finance expense divided by the two-year average of long term debt including long term debt due within one year plus shareholders' equity. Return on capital employed was adjusted for an after-tax impairment charge on property, plant and equipment of $204 million for the year ended December 31, 2013. Return on capital employed, based on the calculation used in prior periods for the year ended December 31, 2013, was 7.9%.
- Return on Capital in Use ("ROCU") measures the return earned on those portions of long-term capital sources such as long term liabilities and shareholder equity that are currently generating cash flows. ROCU is presented in Husky's financial reports to assist management in analyzing shareholder value and return on capital. ROCU equals net earnings plus after-tax interest expense divided by the two-year average of long term debt including long term debt due within one year plus shareholders' equity less any capital invested in assets that that are not generating cash flows. Return on capital in use was adjusted for an after-tax impairment charge on property, plant and equipment of $204 million for the year ended December 31, 2013. Return on capital in use based on the calculation used in prior periods for the year ended December 31, 2013 was 11.3%.

Disclosure of Oil and Gas Information

Unless otherwise stated, reserve and resource estimates in this document have an effective date of December 31, 2013 and represent Husky's share. Unless otherwise noted, historical production numbers given represent Husky's share.

The Company uses the terms barrels of oil equivalent ("boe"), which is calculated on an energy equivalence basis whereby one barrel of crude oil is equivalent to six thousand cubic feet of natural gas. Readers are cautioned that the term boe may be misleading, particularly if used in isolation. This measure is primarily applicable at the burner tip and does not represent value equivalence at the wellhead.

Reserve replacement ratios for a given period are determined by taking the Company's incremental proved reserve additions for that period divided by the Company's upstream gross production for the same period. Forecast reserve replacement ratios for a given period are calculated by taking the forecast proved reserve additions for those periods divided by the forecast gross production for the same periods.

The Company has disclosed best-estimate contingent resources in this document. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. There is no certainty that it will be commercially viable to produce any portion of the contingent resources.

Best estimate as it relates to resources is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. Estimates of contingent resources have not been adjusted for risk based on the chance of development. There is no certainty as to the timing of such development. For movement of resources to reserves categories, all projects must have an economic depletion plan and may require, among other things: (i) additional delineation drilling for unrisked contingent resources; (ii) regulatory approvals; and (iii) Company and partner approvals to proceed with development.

Specific contingencies preventing the classification of contingent resources at the Company's Atlantic Region discoveries as reserves include additional exploration and delineation drilling, well testing, facility design, preparation of firm development plans, regulatory applications, Company and partner approvals. Positive and negative factors relevant to the estimate of Atlantic Region resources include water depth and distance from existing infrastructure.

Specific contingencies preventing the classification of contingent resources at the Company's oil sands properties as reserves include further reservoir studies, delineation drilling, facility design, preparation of firm development plans, regulatory applications and company approvals. Development is also contingent upon successful application of SAGD and/or Cyclic Steam Stimulation (CSS) technology in carbonate reservoirs at Saleski, which is currently under active development. Positive and negative factors relevant to the estimate of oil sands resources include a higher level of uncertainty in the estimates as a result of lower core-hole drilling density.

Note to U.S. Readers

The Company reports its reserves and resources information in accordance with Canadian practices and specifically in accordance with National Instrument 51-101, "Standards of Disclosure for Oil and Gas Disclosure", adopted by the Canadian securities regulators. Because the Company is permitted to prepare its reserves and resources information in accordance with Canadian disclosure requirements, it uses certain terms in this document, such as "best estimate contingent resources" that U.S. oil and gas companies generally do not include or may be prohibited from including in their filings with the SEC.

All currency is expressed in Canadian dollars unless otherwise directed.

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