

COMMUNITY REPORT 2015



CONTENTS

CEO Message	01	Environment	
Business		Environment	19
Corporate Profile	02	Land and Habitat	21
Corporate Performance	04	Pipeline Integrity	24
Safety Performance	06	Spill Management	25
Operational Integrity	09	Air Quality	26
Managing Risk	10	Water	29
People	13		
Community		Key Numbers	31
Aboriginal Engagement	15	About this Report	32
Community Investment	17	Reader Advisories	33

CEO MESSAGE



The past few years have tested our industry. We have met this challenge by transforming the structure of Husky's business and improving our resilience. You will see the results of these actions throughout this report.

We now have one of the best balance sheets in the industry. Our focus on higher return production has lowered our break-evens and improved margins. Our vitals are strong.

At Husky we don't just look at the bottom line. Equally important to us is our focus on safety. In 2015 we achieved our lowest ever total recordable incident rate, through rigorous occupational safety programs and ongoing process safety improvements. However, we know the work to keep our people, the public and the environment safe is never complete.

In July 2016 we were given a stark reminder as we responded to a pipeline release in Saskatchewan. We took full responsibility and worked closely with communities, First Nations and the province to complete the cleanup. A full and thorough investigation was undertaken and we will use everything we learn from this to further improve our operations and response.

We remain committed to the communities where we operate and are equally committed to looking for ways to further lighten our footprint.

A handwritten signature in black ink, appearing to read 'R. Peabody'.

Rob Peabody

CORPORATE PROFILE



Sunrise Energy Project

Husky is one of Canada's largest integrated energy companies. It is based in Calgary, Alberta and its common shares are publicly traded on the Toronto Stock Exchange under the symbol HSE.

The Company operates in Canada, the United States and the Asia Pacific Region, with Upstream and Downstream business segments.

Annual production in 2015 averaged 346,000 barrels of oil equivalent per day (boe/day), with cash flow from operations of \$3.3 billion. Earnings were a net loss of approximately \$3.8 billion, including an after-tax impairment and a write-down related to legacy oil and natural gas assets in Western Canada. Adjusted net earnings were \$165 million.

Higher Quality Production

Since 2010, Husky has been transforming into a low sustaining capital business with an increasing focus on higher quality production that requires less sustaining and maintenance capital, while providing improved margins and reduced cash flow variability. By the end of 2016, more than 40 percent of Husky's production will come from these types of projects.

2015 Operational Highlights

Heavy Oil

Lloyd thermal projects continue to lead the Company's transition to higher quality production, increasing to an average of 56,800 barrels per day (bbls/day), compared to 18,000 bbls/day in 2010. This included steady production from seven thermal projects, such as the 10,000 bbls/day Rush Lake development which began production in July 2015.

Western Canada

Overall average production from resource plays was about 39,600 barrels of oil equivalent per day, as the Company continued to rejuvenate its Western Canada operations. The transformation of the Western Canada business is being advanced with a focus on fewer, more material resource plays.

2015 Operational Highlights

Downstream

Husky's integrated Sunrise Value Chain and Lloyd Value Chain support production from the Sunrise Energy Project and the Lloyd thermal developments. An expansion at the Hardisty terminal, including increased pipeline connectivity, blending capacity and storage to support Upstream production, was completed.



Hardisty

Asia Pacific Region

Work continued to advance at four natural gas fields offshore Indonesia in the Madura Strait, with a wellhead platform and pipeline infrastructure successfully installed at the liquids-rich BD field. Drilling began in the fourth quarter.



Jacket installation at BD field

2015 Operational Highlights

Oil Sands

The Sunrise Energy Project started production in the first quarter of 2015 and is being steadily ramped up towards full production.



Sunrise Energy Project

Atlantic Region

Two wells were brought on production at the South White Rose extension project, reaching their planned net peak production of 15,000 bbls/day. An appraisal program at the Bay du Nord discovery area concluded in mid-2016.



SeaRose FPSO

Delivering Results

Husky continued to transition an increasing percentage of its production base towards higher quality barrels, including the Sunrise Energy Project and the Rush Lake Lloyd Thermal Project, which both began production in 2015.

CORPORATE PERFORMANCE



Rush Lake Lloyd Thermal Project

Highlights

- Annual production averaged 346,000 barrels of oil equivalent per day
- Downstream throughputs averaged 308,000 barrels per day

Husky continues to improve its resiliency as a result of structural changes that have taken root across the business, while significantly lowering its cost base.

Earnings and Cash Flow

In 2015, WTI prices averaged about \$49 US a barrel, compared to about \$93 US a barrel in 2014. Adjusted net earnings were \$165 million. Cash flow from operations was \$3.3 billion.



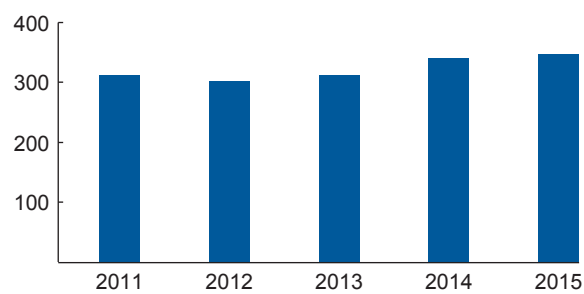
Husky pipeline

Production and Throughputs

Production averaged 346,000 barrels of oil equivalent per day, including steady volumes from the Liwan Gas Project, the gradual ramp up of the Sunrise Energy Project, new production from two wells at the South White Rose extension and continued strong performance from a portfolio of Lloyd thermal projects and the Ansell resource play.

Downstream throughputs averaged 308,000 barrels per day, which takes into account maintenance work at the Lloydminster Upgrader and reduced capacity at the Lima Refinery.

Production (mboe/d)



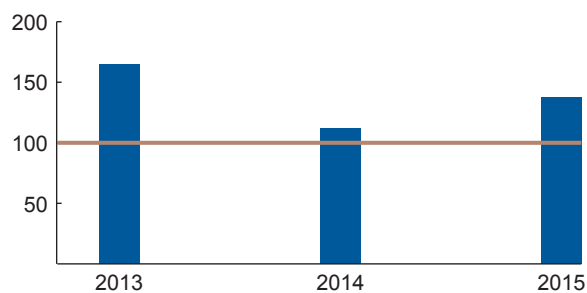
Lloydminster Upgrader

Reserves Replacement

Husky's reserves growth continued a seven-year trend of outpacing production, with a proved reserves replacement ratio in 2015 of 166 percent excluding economic factors (136 percent including economic factors). This reflected new additions from Lloyd thermal projects, the Sunrise Energy Project, the Liwan Gas Project and natural gas fields offshore Indonesia.

At the end of 2015, Husky's total proved reserves before royalties were 1.3 billion boe and probable reserves were 1.6 billion boe.

Proved Reserve Replacement^{1,2,3} (percent replaced)



¹ Working interest before royalties.

² Including economic revisions.

³ For the years ended December 31, 2013 and 2014, the majority of Husky's oil and gas reserves were prepared by internal reserves evaluation staff, with the remainder evaluated by Sproule Unconventional Limited.

SAFETY PERFORMANCE



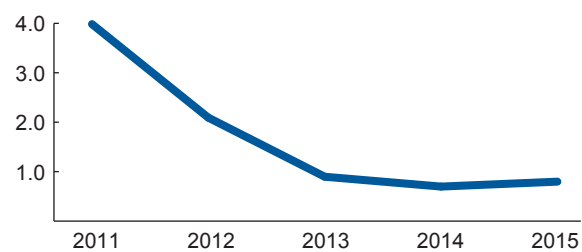
Hardisty storage tank

Purpose and Progress

Husky delivers operational reliability and strengthens its safety record through rigorous occupational safety programs and ongoing improvements in process safety.

To enhance existing policies and procedures, the Company communicates the risks most associated with potential serious injuries and fatalities to employees and contractors so actions can be taken to mitigate those risks. The rate of critical and serious incidents per hours worked in 2015 was comparable to the year before.

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



Pre-Startup Procedures Improve Safety

Husky projects, from pipelines to compressors to new thermal plants, go through a pre-startup safety review (PSSR) to verify that personnel and the asset are ready. Training and startup procedures are reviewed with the guidance of staff with process safety expertise to provide a comprehensive check before startup. Specialized technicians are enlisted as needed.



Process Safety Events

Definitions of Tier 1, 2 and 3 process safety events are used to assess releases and other Loss of Primary Containment outcomes. Incidents are investigated to determine how to improve equipment reliability and related operating integrity practices.

These definitions align with those of the American Petroleum Institute, the American Institute of Chemical Engineers' Center for Chemical Process Safety and the International Association of Oil and Gas Producers.

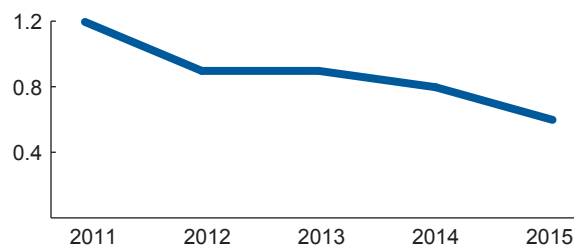
Total Recordable Injury Rate

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

Employees and contractors using clear procedures and processes to mitigate risk led to a lower TRIR rate. This rate has declined over the past four years. In 2015 Husky introduced programs to enhance its existing training, such as the International Organization of Oil and Gas Producers' Life Saving Rules. These rules use consistent icons, with descriptive guidance, to reinforce simple actions that can mitigate risk when performing high risk activities.

In 2015, Husky achieved a 0.64 TRIR, which means there was less than 1.0 recordable injury per 100 workers per year, down from 0.80 the year before.

Total Recordable Injury Rate
(per 200,000 exposure hours)

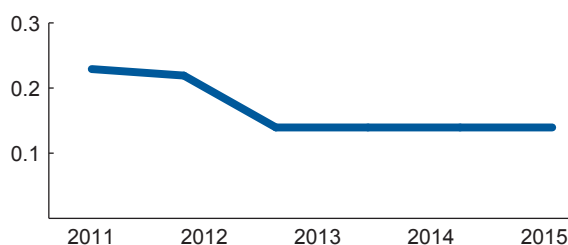


Lost Time Injuries

In 2015, the Company maintained a Lost Time Injury Rate of 0.14 per 200,000 exposure hours. Employees and contractors receive ongoing training in safety processes and procedures to continuously improve and drive this trend.

Husky continues to strengthen the safety culture at its worksites by applying the Husky Operational Integrity Management System, a consistent, enterprise-wide approach to managing operations.

Lost Time Injury Rate
(per 200,000 exposure hours)



Driving

The Corporate Driving Standard includes mandatory driver training and vehicle monitoring devices that provide drivers with reports on their speed, seatbelt use and driving practices to improve performance.

In 2015, there were 48 employee motor vehicle accidents recorded, compared to 47 the year before. The Company's fleet of approximately 1,500 vehicles covered almost 33 million kilometres.

Offshore

Husky's well management program offshore Newfoundland and Labrador starts with the planning stage and continues through construction, commission and operation.

Wellbore monitoring, inspection of subsea trees, testing of subsurface safety equipment, plans for blowout mitigation and an inventory of relief well materials are part of the program. During operations, at least two independent and tested well barriers are in place.

The Company, with other area operators, participates in mutual emergency aid partnerships and a number of international safety initiatives.

Incident Tracking

A comprehensive incident tracking tool allows for ongoing monitoring and assessment of reported events to better prepare for potential operational incidents.

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

Integrating the reporting and review of events such as injuries, equipment failures and complaints from the public can proactively reduce the probability of repeat events.

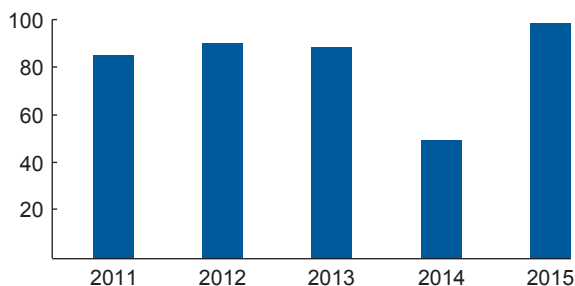
Industrial Hygiene

Identifying and controlling occupational health hazards allows Husky to understand potential exposures and better prevent the development of occupational illnesses.

In 2015, 98 surveys were completed, including samples taken from more than 1,300 employees or sites to assess exposure to potentially hazardous materials or environments. To improve its understanding of the effects of short-term exposure, the Company continues to collect short-term exposure data.

Husky is revising its Material Safety Data Sheets to align with a new international system. The Globally Harmonized System of Classification and Labelling of Chemicals will provide companies and workers with a single set of rules and label formats that are recognized by numerous jurisdictions. The new Safety Data Sheets will be compliant with this system.

Industrial Hygiene Assessment Surveys



Delivering Results

Husky continues to improve its safety performance, resulting in a decrease in its total recordable injury rate.

OPERATIONAL INTEGRITY



Liwan Gas Project



Safe and reliable 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, Business Continuity and Security Management
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 Decommissioning
13. Contracted Services and Materials
14. Performance Assessment and Continuous Improvement

Ten Years of Reliability for the *SeaRose*

The *SeaRose* FPSO vessel marked 10 years of service in the White Rose fields offshore Newfoundland and Labrador. In 2015 it averaged about a 97 percent uptime, reflecting consistent reliability.

The Company sets operational integrity targets as part of its annual objectives.

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

Activities are performed safely and reliably, with a focus on operational integrity, to provide for efficient and consistent performance. Husky had top-quartile uptimes at its Liwan facilities and the *SeaRose* floating production, storage and offloading (FPSO) vessel. Over the past six years it has delivered numerous projects without a major incident, including Liwan, Sunrise, as well as a number of Lloyd thermal projects.

Delivering Results

Husky continues to improve process safety and drive consistent performance, recording top-quartile uptimes at its Liwan facilities and the *SeaRose* FPSO.

MANAGING RISK



SeaRose FPSO

Purpose and Progress

Risk management and mitigation practices are embedded in strategic planning and operational processes. Identifying risks, measuring competency, training personnel and purchasing equipment are guided by Company policies, standards, processes and best practices.

Enterprise Risk Management

The Enterprise Risk Management program employs a risk matrix that uses seven probability factors and a scale of severity of events to identify and assess potential hazards and risks that could impact the health and safety of people, property and the environment. The Corporate Risk Management Standard outlines the Company's approach to assessing and managing risks.

This analysis provides greater certainty for shareholders, customers and suppliers that risks are well managed, and leads to increased confidence in the communities where Husky operates.

Twice a year, the Corporate Risk Management group undertakes an internal risk assessment to better identify and manage risk, understand the 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.

The potential financial, health, safety, reputational and environmental impacts of each risk are assessed and critical risks are reported to the Board of Directors.

Water Tender for Hardisty

Husky provided a water tender to the County of Flagstaff and the Hardisty Airport. The tender will enhance fire protection by hauling water to sites where other sources are not easily accessible, and its high-pressure hoses allow firefighters to keep a safer distance.



Representatives of Flagstaff County, the Town of Hardisty and Husky

Emergency Preparedness

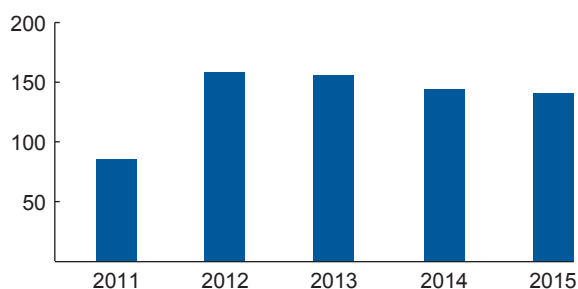
Husky strengthens its preparation for potential emergencies through exercises, established processes and Emergency Response Plans (ERPs) designed to guide a consistent and effective response to any event which could affect employees, contractors, the community, the environment and/or the Company's assets and reputation.

Emergency response programs are tailored using area-specific hazard and risk assessments, with the training and equipment for each emergency response team based on local response requirements. Each team is supported by local management teams and a multi-discipline corporate emergency response team.

Plans and procedures are based on the Incident Command System, a standard emergency response model used in Canada and internationally to provide an effective response across all operations. This system streamlines the response so that the most important actions are addressed in priority order and under clear accountabilities.

Regular cross-departmental exercises and consistent, repeatable processes are an integral part of being prepared for, and improving the response to, an emergency. Where appropriate, coordination with third-party emergency responders is tested in major exercises.

Emergency Response Planning Exercises



Site-specific hazard identification and planning, equipment sourcing and training enhance the Company's readiness at facilities where there is the potential for a higher-consequence event.

The Company participates in additional training as an active member of spill cooperatives and preparedness programs. It is a member of Emergency Response Assistance Canada, which provides response plans for the transportation of dangerous goods. Husky has Transport Canada-approved Emergency Response Assistance Plans for flammable materials shipped by rail or road.

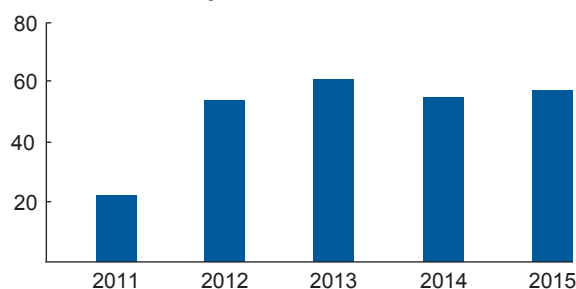
Husky's 24-hour emergency phone line provides members of the public, emergency responders and customers with immediate access to information, and allows staff to promptly initiate a response. The number is posted on www.huskyenergy.com, on signs at all facilities and is part of all public notification material.

Business Continuity

Husky develops contingency plans and measures to mitigate the impacts should a business-interrupting event occur. Risks are identified for all processes within specific business units.

Response strategies for individual departments are documented and tested each year to ensure the business continues to operate during an event. Awareness sessions educate employees on their responsibilities, while annual exercises test the capabilities of the Company's continuity plans, often with multiple departments participating to improve efficiencies and identify any gaps in the process.

Business Continuity Plans Exercised



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 its values. 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, 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.

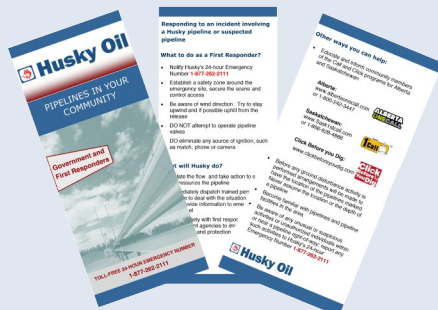
Ethics Help Line

The Company has a confidential and anonymous Ethics Help Line where employees, contractors and other stakeholders can report perceived breaches of the code of conduct.

The Ethics Help Line is managed by EthicsPoint, an independent service provider. Those reporting can choose to provide information anonymously. Information from submissions is captured and submitted to the Ethics Help Line Committee, which includes representatives from the legal, audit, security, health, safety, environment and human resources departments.

Working with First Responders

Husky works closely with first responders in the areas where it has operations to make sure front-line emergency workers understand the Company's operations and the Emergency Response Plan in place.



Delivering Results

The Company conducted more than 140 exercises to better prepare for emergencies, while more multi-department business continuity exercises led to efficiencies and a broader understanding of responsibilities.

PEOPLE



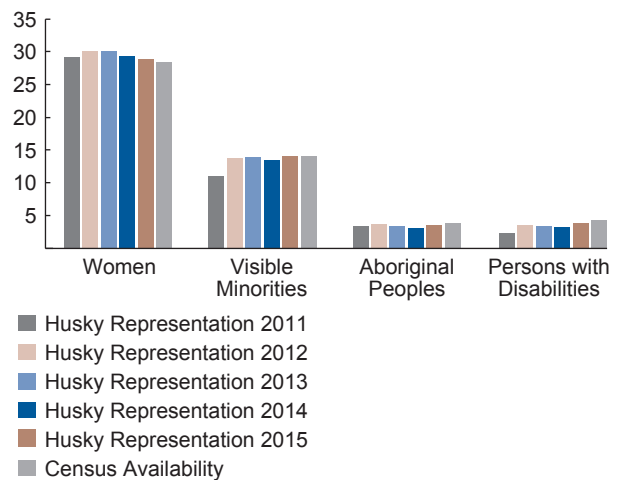
Husky employees support anti-bullying awareness

Supporting a Diverse and Inclusive Workplace

Husky seeks to attract, retain and engage employees with a strategy that supports a more inclusive workplace. Its Diversity and Respectful Workplace Council provides local representation in all areas of operations and organizes employee events to increase awareness and understanding. Training and education programs continue to increase employee knowledge and encourage a respectful work environment.

The Company's Employment Equity Plan is designed to ensure appropriate representation of women, Aboriginal peoples, persons with disabilities and visible minorities in its workforce, while eliminating barriers to employment and advancement. A 2015 partnership with the Canadian Centre for Women in Science, Engineering, Trades and Technology (WinSETT) is focused on encouraging women in technical careers in the energy industry.

Husky Demographics Compared to Census
(percent of overall workforce, year-end)



Professional Development

Husky offers training, mentoring and professional development programs and resources to its employees. Leadership and business skills sessions were offered in 2015 to help employees more effectively deliver on the Company's strategy. Tuition reimbursement and a subsidized master's degree program are also available to qualified candidates.

Mentorship

Company programs target diverse groups to encourage careers in the industry:

- In Newfoundland and Labrador, Husky employees, through Techsploration, work with girls in Grade 9 to discuss jobs involving trades, technical skills and technology. Its partnership with Women in Science and Engineering exposes Grade 11 students to careers in those fields.
- Four recipients of the Aboriginal Student Scholarships gained work experience through the Aboriginal student mentorship program.



Husky supports Techsploration in Newfoundland and Labrador

Total Rewards

The Company's fully funded, comprehensive benefits package is designed to help employees and their families maintain physical and emotional health, including supplementary medical and dental care, income protection (life and accident insurance, short and long-term disability coverage), registered retirement programs, a savings plan, vacation and paid time off. A fitness allowance, service awards, dependent scholarships and summer camp reimbursement are also offered.

Employees are able to take advantage of a financial literacy program, including financial education opportunities, access to financial planning resources and one-on-one retirement planning sessions, while retiring employees may qualify for a comprehensive retiree health benefit program.

Husky expanded its health and wellness programs in 2015, with a myHealth website highlighting resources ranging from services available to physical and mental health tips. Employees participated in a pilot program focused on improving health and wellness.

The Company's annual personalized Total Rewards Statement gives employees a complete picture of how they benefit from, and can maximize, their rewards programs.

Delivering Results

Husky continues to offer training, mentoring and professional development programs to help employees further develop their skills.

ABORIGINAL ENGAGEMENT



Students participating in Husky's Aboriginal mentorship program

Purpose and Progress

Husky respects the inherent constitutional rights of Canada's Aboriginal people. The Company's relationships with Aboriginal communities are built on cooperation, transparency and consultation to further mutual interests.

Formal community-based agreements are in place to ensure the Company has the processes and resources to facilitate business development, employment and community investment. Early consultation takes place in the first stages of project planning to acknowledge Aboriginal rights, and may include traditional land use studies and interviews with Elders.

Education

Academic options can lead to additional career choices and Husky has a program to enhance the opportunities available to Aboriginal youth.

The Company awards scholarships to Aboriginal students pursuing post-secondary education related to careers in the oil and gas sector. Since the program began, more than 110 students have received scholarships covering each year of their studies. Scholarships are based on academic achievement, work experience and community involvement. Students awarded scholarships are able to gain work experience through summer employment and co-op positions, where they are paired with mentors sharing technical knowledge and offering career guidance. They are provided with an opportunity to participate in Husky's Aboriginal Community Network.

In 2015, four students were placed at the Company's head office to gain experience in various areas, including finance, information services, regulatory affairs and business development.

Culture and Community

Husky participated in community events throughout Western Canada and in the Northwest Territories, including a donation to provide interpretive signs for the Prince George trail system in the Lheidle T'enneh language and continued support for the hot breakfast program at Chief Albert Wright School in Tulita, NWT.

Economic Development

A keen focus is placed on building capacity in Aboriginal businesses to establish competitiveness and develop entrepreneurs. Opportunities are created for goods and services to be provided on a competitive basis, with the contracts awarded based on technical and safety criteria, as well as pricing.

Husky's procurement strategy provides for the participation of Aboriginal businesses with capacity to bid on work for operations located near their communities. In 2015, contracts worth more than \$56 million were signed with Aboriginal vendors. More than 50 businesses provided services, including camps and catering, janitorial services, road construction and maintenance, pipeline construction, medical and first aid, environmental services and water hauling.

To further support its efforts to foster economic development with Aboriginal partners, the Company is a member of the Circle for Aboriginal Relations (CFAR) Society.

Delivering Results

Husky continues to develop mutually beneficial business opportunities with its Aboriginal partners.

COMMUNITY INVESTMENT



Tucker Thermal Project employees volunteer at the CNIB's community garden

Purpose and Progress

To build and strengthen relationships, Husky's Community Investment program supports charitable organizations in the regions where the Company operates. Priority funding areas include education and training, health and wellness, and community building initiatives.

The Company works with municipal, Aboriginal and business leaders, and charitable organizations to identify community needs.

Husky's employees in these communities are actively involved with local organizations and groups, helping to improve the quality of life for their neighbours.

Health and Wellness

Highlights include:

- A donation to the Fort McMurray-based Local HERO Foundation, providing operational funds for helicopter medevac services to the oil sands and northern Alberta region.
- The Canadian Cancer Society in Newfoundland and Labrador launched the Husky Energy Cancer Prevention Program to help increase education and decrease the incidence of cancer.
- Donations to food banks in regions where Husky operates, including a \$5,000 gift to the Maple Ridge, B.C. organization as part of the Company's Fuel it Forward campaign. The recipient was chosen by the contest winner.

Supporting Education

Highlights include:

- A donation to the Job Safety Skills Society in Alberta, enabling more than 4,000 students in 28 schools to take certified courses in workplace safety.
- Continued support of power engineering education with scholarships at Saskatchewan Polytechnic in Saskatoon, Saskatchewan.
- Continued support of the Earth Rangers' Bring Back the Wild program, helping more than 180,000 students in Western Canada and Newfoundland and Labrador learn about biodiversity, ecology and the impacts of human activity.

Husky Recognized by Canadian Cancer Society

The Canadian Cancer Society – Alberta/Northwest Territories Division recognized Husky as its Corporate Champion for 2015. The award recognizes outstanding leadership and financial support to the society.



Canadian Cancer Society **Société canadienne du cancer**

ALBERTA / NWT DIVISION

Community

Highlights include:

- Providing the Canada Winter Games in Prince George, B.C. with gas cards to fuel the fleet of vehicles needed for the event.
- Support for Maidstone, Saskatchewan's emergency response planning, training and management, along with a donation to provide healthy snacks and a hot lunch to school children.
- A donation to the Jimmy Pratt Memorial Breakfast Program in Newfoundland and Labrador, providing a hot meal for adults who need assistance.

Lima Refinery Supports Local Charities

The Husky Lima Refinery raised a record \$134,000 in support of 12 local charities with its annual golf outing. Recipients include the United Way, Big Brothers, Big Sisters and the Northwest Ohio Literacy Council. The refinery has been raising money with the tournament for nine years.



Twelve local charities shared in \$134,000

Community Support

Canada

British Columbia

Cache Creek
Maple Ridge
Prince George

Alberta

Athabasca
Banff
Calgary
Chateh
Cold Lake
Drumheller
Edmonton
Edson
Fort McMurray
Grande Prairie
Hardisty
High Level
Kehewin
Kitscoty
Lac la Biche
Lloydminster
Morley
Olds
Provost
Red Deer
Slave Lake
Taber
Wabasca

Saskatchewan

Estevan
Lloydminster
Maidstone
Moosomin
North Battleford
Regina
Saskatoon
Swift Current

Manitoba

Minnedosa

Ontario

Hamilton
Toronto

Quebec

Montreal

Northwest Territories

Tulita

Newfoundland and Labrador

St John's

United States

Ohio

Allen County
Lima

Delivering Results

Husky's employees support non-profit agencies in Canada, the United States and the Asia Pacific Region through employee giving programs and volunteer efforts.

ENVIRONMENT



Purpose and Progress

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

The Company 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

Monitoring North Saskatchewan River Valley Biodiversity

Husky takes a number of steps to mitigate any potential impact to biodiversity in the North Saskatchewan River Valley. These include environmental awareness training for all employees and contractors working in the area, monitoring bird species and wildlife near facilities and water wells, and tracking wildlife species in the area using observations from personnel. The Company works with the Saskatchewan Ministry of the Environment on the program.



Yellow Warbler

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 Industrial Fire Protection Association (AIFPA)
- Allen County Environmental Citizen's Advisory Committee (ECAC)
- Beaver River Watershed Alliance
- Calgary Region Airshed Zone (CRAZ)
- Canadian Association of Petroleum Producers (CAPP)
- Canadian Brownfields Network (CBN)
- Canadian Fuels Association (CFA)
- Canadian Land Reclamation Association (CLRA)
- CDP (formerly the Carbon Disclosure Project)
- China Offshore Environmental Services (COES)
- China Offshore Oil Operation Safety Office (COOOSO)
- China's State Oceanic Administration (SOA)
- China's Marine Safety Administration (MSA)
- Clearwater Mutual Aid CO-OP
- Clearwater Trails Initiative (CTI)
- Conference Board of Canada – Council on Emergency Management
- Cumulative Environmental Management Association (CEMA)
- Devonian Aquifer Working Group (DAWG) – COSIA joint industry project
- Earth Rangers
- Eastern Canada Response Corporation (ECRC)
- Edson Mutual Aid Committee (EMAC)
- Emergency Response Assistance Canada (ERAC)
- Environmental Services Association of Alberta (ESAA)
- Environmental Studies Research Funds (ESRF)
- Faster Forests – COSIA
- Foothills Research Institute – Grizzly Bear Program
- Foothills Restoration Forum – Southwest Alberta Sustainable Community Initiative (SASCI)
- Grasslands Air Zone
- Hardisty Air Management Zone Association (HAMZA)
- Hardisty Mutual Aid Plan (HMAP)
- Indonesian Petroleum Association (IPA)
- International Oil & Gas Producers Association (IOGP)
- IPIECA
- Joint Canada-Alberta Plan for Oil Sands Monitoring (JOSM)
- Lakeland Industry and Community Association (LICA)
- Land Spill Emergency Program (LSEP)
- 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 Research Newfoundland and Labrador (PRNL)
- Petroleum Technology Alliance Canada (PTAC)
- Plains CO₂ Reduction (PCOR) Partnership
- Prince George Air Improvement Roundtable (PGAIR)
- Saskatchewan Petroleum Industry Government Environmental Committee (SPIGEC)
- Saskatchewan Prairie Conservation Action Plan (SK – PCAP)
- Southeast Saskatchewan Airshed Association (SESAA)
- Transportation Community Awareness and Emergency Response (TRANSCAER)
- Upstream Saskatchewan Spill Response Co-op Area 2, 3 & 4 Spill Response Cooperatives
- Water Technology Development Centre (WTDC) – COSIA joint industry project
- Western Canada Marine Response Corporation
- Western Canadian Spill Services (WCSS)
- Western Yellowhead Air Management Zone (WYAMZ)
- Wood Buffalo Environmental Association (WBEA)

Biophysical Standard

Husky's biophysical standard allows for consistent management of land and habitat throughout an asset's lifecycle. Part of the Husky Operational Integrity Management System (HOIMS), it includes mapping during project planning to identify areas that could be impacted, efforts to minimize, mitigate and restore any impacts and tracking results.



Vawn Lloyd Thermal Project

LAND AND HABITAT



Husky stewards the land in its care, from a project's planning stage through to the asset's retirement. Potential impacts are identified so they can be avoided, minimized or mitigated, and the land is ultimately remediated and reclaimed.

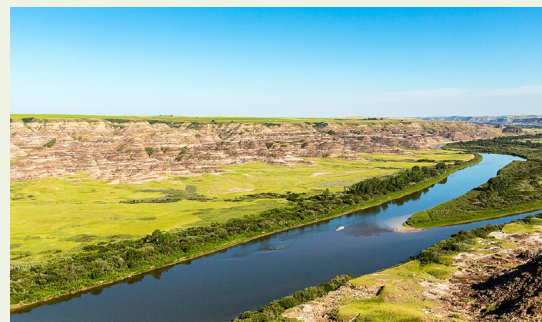
Project Planning

Existing conditions and potential impacts must be understood before work starts on a project. The Company conducts various levels of pre-disturbance site assessments for proposed projects and more comprehensive environmental impact assessments for major developments. Conservation efforts throughout a project's life allow for a more successful reclamation when the asset is retired.

A number of methods are used to analyze alternatives as plans are developed. For example, Husky uses specially trained dogs to protect wildlife. Along with their handler, dogs identify wildlife movement and sensitive sites such as bear dens. This allows for those areas to be avoided when conducting seismic programs.

Well Remediation Using Mining Intervention

Husky successfully re-established well integrity at a site in the Red Deer River Valley after using a geotechnical program to assess environmental risk and determine the best option was a mining intervention, a first for the Company. To access the well, the area around it was excavated to expose a shaft similar to those used in mining operations. Once the well integrity was re-established, the well was properly abandoned. More than 25,000 hours were invested without a lost time incident.



Red Deer River Valley

During Operations

Husky monitors land and habitat during operations, and assesses how to minimize or mitigate potential impacts.

Activities are planned so that sensitive animal and bird activities, such as known bear dens in winter, aren't affected. To better understand habitat use, workers and in-field cameras observe and record the movements of local wildlife. When an impact is observed, mitigation is undertaken to maintain or restore ecosystem services.

Surface water on leases is managed, including the use of containment systems to prevent soil erosion and to help prevent a release from migrating off-site. Vegetation control inhibits the spread of weeds and minimizes fire hazards. Husky's waste tracking system monitors and verifies the type and volume of waste generated, how it is handled and how it is disposed of, treated or recycled.

To improve the reclamation timetable, work is undertaken on lands no longer required for operations, even if the project is ongoing. Progressive reclamation allows work to begin sooner to return land to its pre-disturbance condition and reduce maintenance costs.

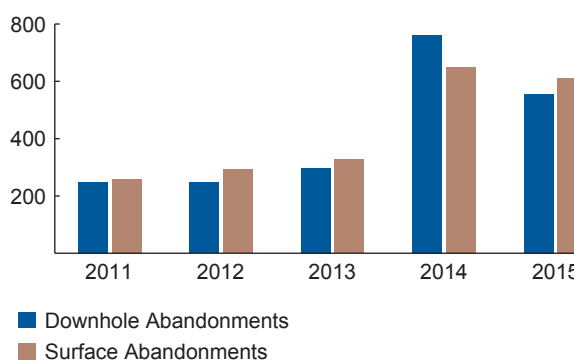
End of Life and Asset Retirement

Husky prioritizes its inventory of inactive assets to determine which have future production potential and which should be retired.

This includes pipelines associated with inactive wells or lines with no flow, which are identified, assessed for future potential and prioritized for abandonment. In 2015, 523 lines were abandoned in Western Canada.

The process of retiring a well begins with properly abandoning both the downhole and surface components. The Company's long-term, proactive abandonment program works towards the timely and effective retirement of inactive sites that have no future potential. Candidates for abandonment are ranked and grouped by geography so that resources are used more efficiently.

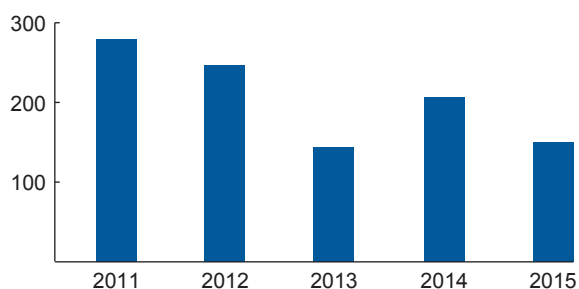
Well Abandonments



Land on the site is restored so it can support similar ecological functions to those that existed before any disturbance. This could include re-contouring sites, addressing potential contamination, replacing soil layers and re-establishing vegetation.

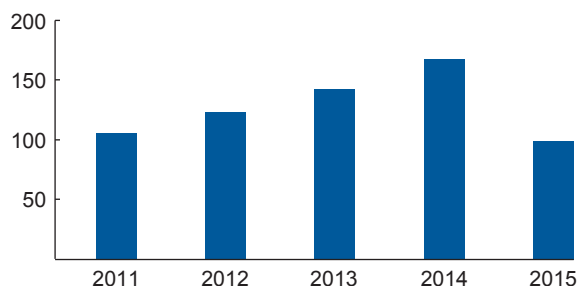
This process takes approximately five years to complete, from initial re-contouring to verification the site meets regulatory criteria. All reclaimed sites are submitted for regulatory approval and review by the land owner and/or occupant. Husky has achieved an average 98 percent approval rate on its submissions. Over the past five years, the Company has certified 1,023 sites and returned approximately 5,000 acres of land to its pre-disturbance condition.

Reclamation Certificates



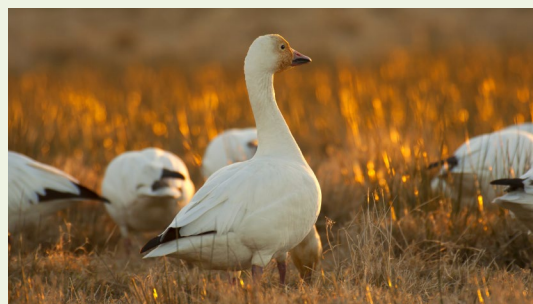
Asset retirement obligations and their associated status are tracked in Husky's Environmental Performance Reporting System, and are calculated and disclosed on a quarterly basis, complying with financial reporting regulations. This allows the Company to better estimate its obligations and account for appropriate financial resources related to abandonment, reclamation and remediation activities. Between 2011 and 2014 Husky undertook regional abandonment programs with a considerable number of assets in each area. In 2015 the program focus shifted to high priority sites.

Asset Retirement Spend (\$ millions)



Monitoring Birds at Sunrise

Bird activity and habitat at the Sunrise Energy Project is monitored and measured using the Monitoring Avian Productivity and Survivorship program (MAPS), developed by the Institute for Bird Populations. More than 14,500 birds, representing more than 65 species, have been banded in the region.



Snow Geese

PIPELINE INTEGRITY



Husky monitors and manages 30,000 kilometres of pipelines from the design and construction phase through to operation, maintenance and ultimately suspension and abandonment.

Its Pipeline Integrity Management Program focuses on the lifecycle of all Husky pipelines. The program uses a proactive approach to operations and maintenance, factoring in the diverse profile of the Company's pipelines.

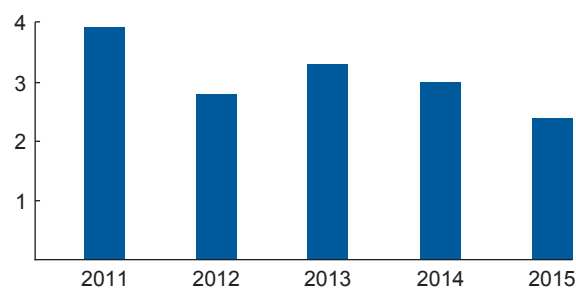
With the goal of improved integrity and a reduced incident rate, the program includes inspections, corrosion prevention, leak detection and risk assessments with accelerated levels of response. Those range from a quantitative risk assessment on an as-needed basis, to a baseline assessment conducted every five years, to an annual consequence-based assessment.

The Company's pipeline incident rate has been declining since 2011.

Pipeline Incidents

In 2015, Husky recorded its lowest ever pipeline incident rate of 2.39 incidents per 1,000 kilometres. The overall trend is towards a reduced incident rate.

Pipeline Incidents (per 1,000 kilometres)



Delivering Results

Husky continues to make progress in its efforts to minimize impacts to land and habitat, air and water. Through a focus on pipeline integrity it continues to reduce the rate of pipeline incidents and the number of releases.

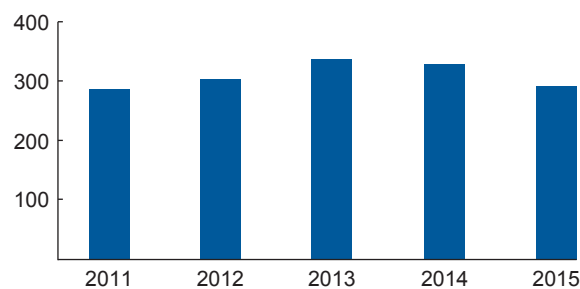
SPILL MANAGEMENT

Husky works to minimize releases and spills, using a number of programs across its operations, including a pipeline integrity management program, emergency response plans and a spill response program.

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

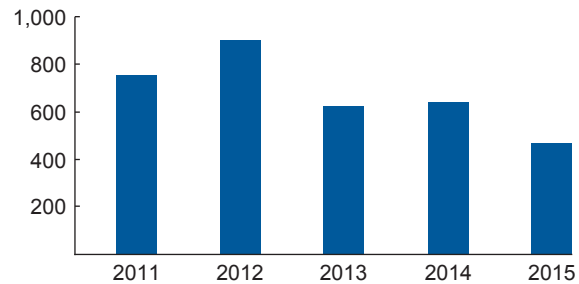
The number of reportable release incidents in 2015 and the volume of hydrocarbons released declined from the previous year. These reductions can be attributed in part to the Company's focus on abandoning pipeline segments that had been isolated and no longer contained a flow of product, which meant they had a higher risk of erosion. More than 80 percent of hydrocarbons released were recovered within the first seven days following an incident. Additional volumes are remediated over the longer term.

Reportable Release Incidents



The reduction in hydrocarbon volume can be partly attributed to fewer integrity-related events.

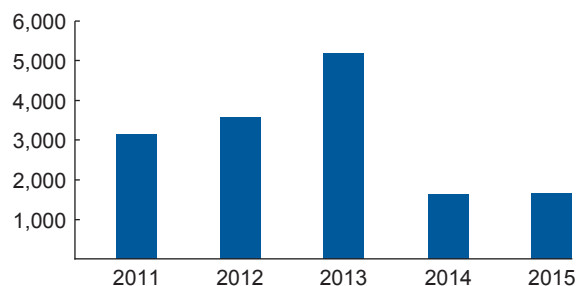
Hydrocarbons (m³)



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

The volume of other fluids released in 2015 was comparable to the previous year, both of which are low in a historical context. This can be attributed in part to Husky's focus on proactively managing pipelines and assets identified as high risk.

Other Volumes (m³)



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

AIR QUALITY



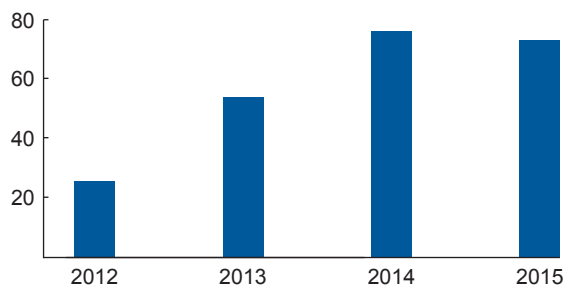
Husky addresses local and regional air quality and assesses equipment and facilities to seek ways to mitigate climate-related impacts.

Emissions

Husky continues to focus on emission reduction activities, including capturing carbon dioxide (CO₂), minimizing fugitive emissions and managing flaring and venting activities, as well as reducing its energy consumption.

Carbon dioxide is captured at the Lloydminster Ethanol Plant to aid in enhanced oil recovery (EOR), which involves CO₂ being injected into reservoirs to increase oil production. The plant captures up to 250 tonnes a day of CO₂, with more than 225,000 tonnes used for EOR in heavy oil fields between 2012 and December 2015. About 30 tonnes of CO₂ a day are captured in an initial pilot project at the Pikes Peak South Lloyd Thermal Project for use in EOR. The Company is evaluating additional technologies.

CO₂ Captured (thousand tonnes)



CO₂ Capture at Pikes Peak South

In 2015, Husky began capturing about 30 tonnes a day of carbon dioxide (CO₂) at its Pikes Peak South Lloyd Thermal Project, as part of an initial pilot project at the test facility. The CO₂ is captured from the flue gas of a once-through steam generator and piped to a nearby heavy oil field for enhanced oil recovery. The Company continues to evaluate additional technologies.

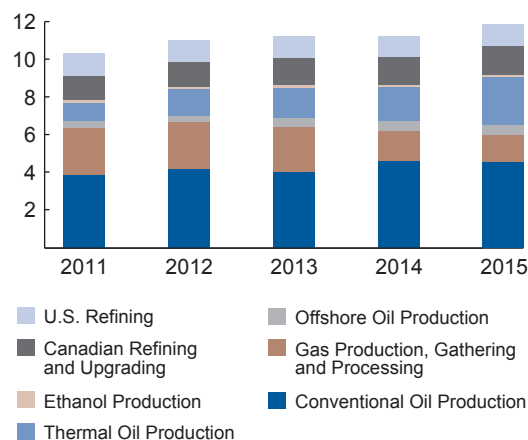


Pikes Peak South Lloyd Thermal Project

The Company measures and reports emissions of greenhouse gases (GHGs) and criteria air contaminants, such as sulphur dioxide (SO₂) and nitrogen oxides (NO_x as NO₂ equivalent). This provides an opportunity to forecast and evaluate reported emissions at the corporate and individual facility level.

Air quality and carbon management programs achieve regulatory compliance and are supported by Husky's Environmental Performance Reporting System, providing for transparency and consistent data.

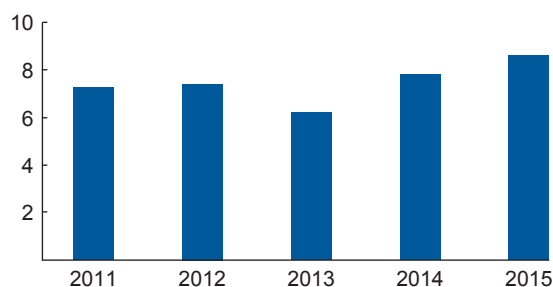
Scope 1 GHG Emissions (million tonnes of CO₂e)



Scope 1 GHG emissions include all direct GHG emissions from sources operated by Husky as at December 31, 2015. This does not include emissions from biological sources, such as fermentation process emissions at Husky's ethanol plants. These emissions are reported separately in Husky's annual CDP Climate Program response. Drilling and completions emissions are estimated and reported as required by jurisdictions.

Increases in Scope 1 GHG emissions from the startup of the Sunrise Energy Project and the Rush Lake Lloyd Thermal Project, as well as outages at the Lima Refinery were partially offset by natural reservoir declines from reduced investment in mature oil and gas properties in Western Canada.

Sulphur Dioxide Emissions (thousand tonnes)

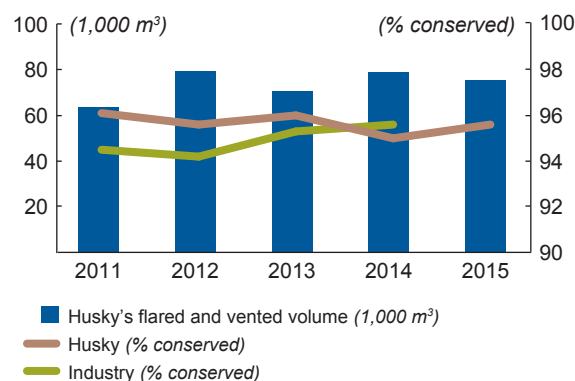


Increases in reported SO₂ emissions from the startup of the Rush Lake Thermal Project were partially offset by decreases in emissions from the Ram River Gas Plant. 2015 includes data from an improved emissions estimation process.

Gas Conservation

The Company estimates overall solution gas conservation at its Alberta operations in 2015 was 95.6 percent. Husky's total volume of flared and vented gas in Alberta has declined by 4.6 percent since 2012, while the Company's oil production in the province increased by two percent over the same period. Data from the annual Alberta Energy Regulator's Upstream Petroleum Industry Flaring and Venting Report shows Husky's gas conservation remains comparable to the industry average.

Alberta Gas Conservation



Source: 2010-2014 Alberta Energy Regulator, 2015 estimated by Husky.

Conservation % = [Volume of gas produced – (volume of gas flared + volume of gas vented)] ÷ [volume of gas produced].

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 and repairs leaking equipment to reduce emissions. It improves the Company's operating efficiency by tracking where and when leaks occur and minimizing the release of greenhouse gases.

Fugitive emissions are hydrocarbon leaks, including methane and volatile organic compounds (VOCs), from valves, piping connections, pumps and compressor seals, and other piping system components that occur as part of the normal operation of a plant. Husky uses a number of techniques to detect a leaking component, including highly specialized infrared cameras that provide a view of normally inaccessible locations such as tank seals and overhead piping from a distance, and ultrasonic detection, which identifies leaking components using sound. Vapour analyzers and ultrasonic measurements can be used to quantify an emission.

Data on fugitive emissions is stored in a central system, allowing for timely notification of surveys and repairs, and the tracking of components and reporting.

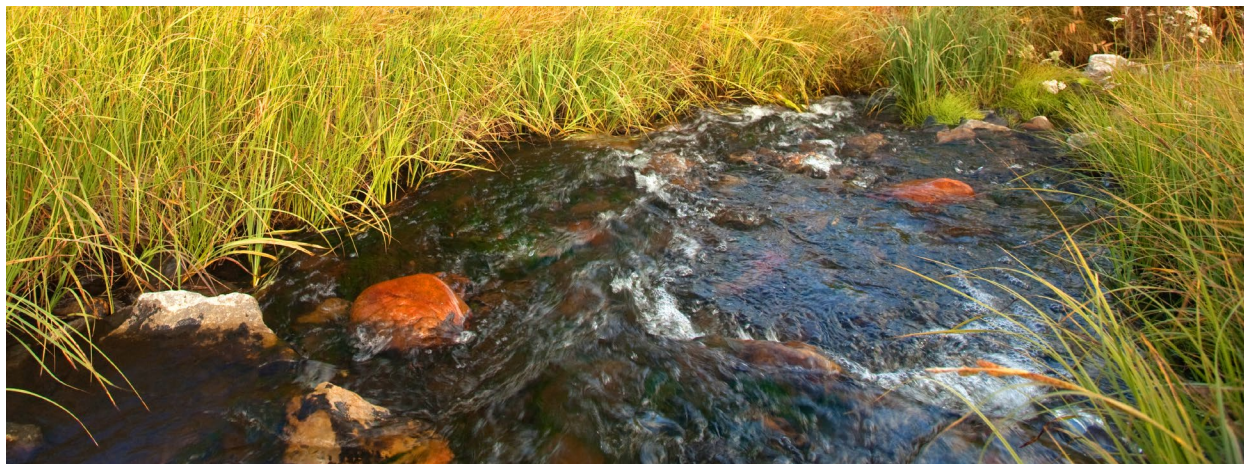
Carbon Disclosure Participation

Year-over-year improvement on its CDP climate disclosure score led to Husky's inclusion on the Canadian Climate Disclosure Leadership Index. Its 2015 score of 98B, increasing from 91B in 2014, reflects how the Company measures, discloses, manages and shares carbon and climate information.



Wapiti

WATER



Purpose and Progress

Husky's internal Water Standard provides for responsible water use. The Company details its water risk management approach and metrics in annual submissions to the CDP Water Program. Responsible water use is enhanced by employing technology and collaborative management strategies.

In considering a water source for its operations, Husky evaluates risks, including reliability, sustainability, quality, technical feasibility, net environmental effect, economics, and regulatory and stakeholder concerns. Where risks are identified, mitigation plans are developed.

Water Withdrawals

Husky continues to improve its ability to track water metrics across all business units using its Environmental Performance Reporting System. The Company participates in a number of national and international programs that help drive better measurement and transparency of water use and issues across the industry.

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

Water Withdrawals (millions m³)



Water withdrawals are for industrial use. Data from 2011-2013 excludes water used for construction and drilling and completion purposes. Non-saline (fresh) water is defined as having a total dissolved solids concentration of less than 4,000 mg/L.

In 2015, non-saline water withdrawal increased in part due to the startup of the Sunrise Energy Project. The source of that water is considered low quality. For its steam requirements, Sunrise uses a combination of internally recycled produced water, process affected water (non-saline industrial wastewater) from a nearby operation and non-potable water from the Basal McMurray aquifer. The start of production at the Rush Lake Lloyd Thermal Project contributed to the increase in non-saline water withdrawals.

Approximately 6.9 million cubic metres (m³) of non-saline water withdrawn for use in Husky's refineries last year was offset by the 4.4 million m³ 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 18.7 million m³ of offshore saline water in 2015 was offset by the discharge back to the sea of 10.2 million m³ of cooling water.

Enhancing Fish Migration

A project in central Alberta to enhance fish habitat and the ability of various species to move along Prairie Creek was completed in 2015. With Trout Unlimited Canada, the existing culvert near the Ram River Gas Plant was improved to slow the speed of water moving through and reduce the drop from the outlet. Trees planted near the creek will help stabilize the riverbank and prevent erosion.



Improved culvert enhanced fish migration

Non-saline Water Withdrawal by Watershed

Husky assesses ways to conserve and recycle water, including consideration of reusing produced water or other industrial wastewater.

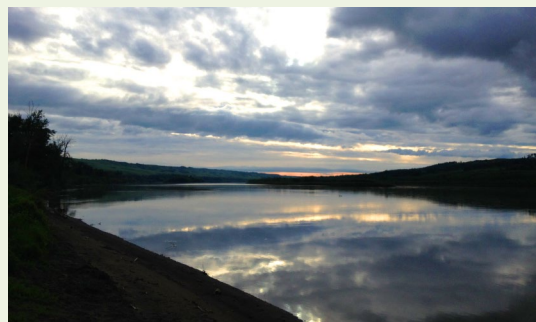
In 2015, 97 percent of non-saline water withdrawals occurred in areas considered not water short or low intensity, as defined by provincial regulatory bodies. Two percent of the withdrawals occurred in areas considered potentially water short or moderate intensity and one percent of the withdrawals in areas considered water short or high intensity.

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

Approximately 25 percent of onshore non-saline withdrawals were from the Maumee River watershed in Ohio, for use at the Lima Refinery. More than 65 percent was returned to the surface hydrologic cycle after being treated.

CDP Water Disclosure Score Improves

Husky received a B on its CDP water questionnaire, the highest score in its sector. The Company is improving its water risk awareness, with a Corporate Water Standard and a Water Management Technical Competency Network. It also participates in industry groups for knowledge exchange purposes.



North Saskatchewan River

KEY NUMBERS

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

	Indicator	2015	2014	2013
Business	Production (thousands of barrels of oil equivalent per day)	346.0	340.1	312.0
	Adjusted Net Earnings ¹ (Canadian \$ millions)	165	2,019	2,040
	Cash Flow from Operations ² (Canadian \$ millions)	3,329	5,535	5,222
	Capital Investment ³ (Canadian \$ millions)	3,005	5,023	5,028
	Reserves (proved and probable millions boe, before royalties)	2,912	3,149	3,127
	Reserves (proved millions boe, before royalties)	1,324	1,279	1,265
Safety	Total Recordable Injury Rate (recordable injuries per 200,000 exposure hours)	0.64	0.80	0.90
	Lost-time Injury Frequency (number of lost-time injuries per 200,000 exposure hours)	0.14	0.14	0.14
	Fatalities	0	0	1
Environment	Total Energy Use (gigajoules)	162,790,000	133,590,000	128,200,000
	Scope 1 GHG Emissions ⁴ (tonnes of CO ₂ e)	11,900,000	11,260,000	11,270,000
	Scope 2 GHG Emissions (tonnes of CO ₂ e)	2,430,000	2,300,000	2,450,000
	Sulphur Dioxide (SO ₂) Emissions ⁵ (tonnes)	8,611	7,795	6,197
	Nitrogen Oxides (NO _x expressed as NO ₂) Emissions ⁵ (tonnes)	9,546	9,024	NPR ⁷
	Volatile Organic Compounds (VOC) Emissions ⁵ (tonnes)	3,703	2,351	NPR ⁷
	Fresh Water Withdrawal ⁶ (million cubic metres)	24.2	23.3	22.1
	Number of Spills	291	327	336
	Volume of Spills – Hydrocarbons (cubic metres)	469	644	624
	Volume of Hydrocarbons Recovered ⁸ (percentage)	80	NPR ⁷	NPR ⁷
	Volume of Spills – Other (produced/process water, refined products, other) (cubic metres)	1,656	1,634	5,161
People	Number of Employees (permanent)	5,552	5,774	5,479
	Employee Turnover (percentage, voluntary and retirements)	4.0	6.8	5.5
	Senior Executive Diversity (percentage of women, Canada)	12.5	17.65	13.3
Community	Community Contributions (\$ millions)	3.0	5.0	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

All data as of December 31, 2015, unless otherwise stated.

1 Adjusted net earnings and cash flow from operations are non-GAAP measures. Adjusted net earnings was redefined in the third quarter of 2015 to equal net earnings before after-tax property, plant and equipment impairment, goodwill impairment, exploration and evaluation asset write-downs and inventory write-downs. Prior periods have been revised to conform to the current period presentation. Refer to Section 11.3 of the 2015 MD&A for reconciliation to the GAAP measures.

2 Cash flow from operations is a non-GAAP measure. Refer to the Reader Advisories.

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

4 Scope 1 GHG emissions include all direct GHG emissions from sources operated by Husky as at December 31, 2015. This does not include emissions from biological sources, such as fermentation process emissions at Husky's ethanol plants. These emissions are reported separately in Husky's annual CDP Climate Program response. Drilling and completions emissions are estimated and reported as required by jurisdictions.

5 SO₂, NO_x and VOC emissions are reported as the total for all facilities where emissions have been reported to the regulator.

6 Does not include fresh industrial wastewater.

7 Not previously reported.

8 Volumes recovered within seven days, additional volumes are remediated over longer term.

ABOUT THIS REPORT

This report focuses on performance for the 12-month period ending December 31, 2015, unless otherwise noted.

All financial data is reported in Canadian dollars, and excludes discontinued operations. Please refer to the 2015 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. An internal audit team has reviewed key numbers in the report to verify data and processes.

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: the Company's general strategic plans and growth strategies; transformation of the Western Canada business; and anticipated proportion of total production from low sustaining capital projects by the end of 2016.

In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment based on certain estimates and assumptions that the reserves described can be profitably produced in the future. There are numerous uncertainties inherent in estimating quantities of reserves 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 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, 2015 and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com and the EDGAR website www.sec.gov) describe 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 cash flow from operations and adjusted net earnings, there are no comparable measures to these non-GAAP measures in accordance with IFRS. These non-GAAP measures are considered to be useful as complementary measures in assessing Husky's financial performance, efficiency and liquidity. These terms include:

- The term "Adjusted Net Earnings (Loss)" is a non-GAAP measure which should not be considered an alternative to, or more meaningful than, "net earnings (loss)" as determined in accordance with IFRS, as an indicator of financial performance. Adjusted net earnings (loss) is comprised of net earnings (loss) and excludes items such as after-tax property, plant and equipment impairment charges, goodwill impairment charges, exploration and evaluation asset write-downs and inventory write-downs not considered to be indicative of the Company's ongoing financial performance. Adjusted net earnings (loss) is a complementary measure used in assessing Husky's financial performance through providing comparability between periods. Adjusted net earnings (loss) was redefined in the third quarter of 2015. Previously, adjusted net earnings (loss) was defined as net earnings (loss) plus after-tax property, plant and equipment impairment charges and inventory write-downs.

The following table shows the reconciliation of net earnings (loss) to adjusted net earnings (loss) for the years ended December 31:

(\$ millions)	2015	2014	2013
GAAP Net earnings (loss)	(3,850)	1,258	1,829
Impairment of property, plant and equipment, net of tax	3,664	622	204
Impairment of goodwill	160	–	–
Exploration and evaluation asset write-downs, net of tax	177	4	6
Inventory write-downs, net of tax	14	135	1
Non-GAAP Adjusted net earnings (loss)	165	2,019	2,040

- The term "cash flow from operations" is a non-GAAP measure 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. Cash flow from operations equals net earnings (loss) plus items not affecting cash which include accretion, depletion, depreciation, amortization and impairment, inventory write-downs to net realizable value, exploration and evaluation expenses, deferred income taxes (recoveries), foreign exchange (gain) loss, stock-based compensation, loss (gain) on sale of property, plant, and equipment, unrealized mark to market gains and losses, and other non-cash items.

The following table shows the reconciliation of net earnings (loss) to cash flow from operations for the years ended December 31:

(\$ millions)	2015	2014	2013
GAAP Net earnings (loss)	(3,850)	1,258	1,829
Items not affecting cash:			
Accretion	121	134	125
Depletion, depreciation, amortization and impairment	8,644	4,010	3,005
Inventory write-down to net realizable value	22	211	–
Exploration and evaluation expenses	242	6	10
Deferred income taxes (recoveries)	(1,827)	(191)	210
Foreign exchange (gain) loss	27	71	11
Stock-based compensation	(39)	(17)	105
Loss (gain) on sale of assets	(16)	(36)	(27)
Other	5	89	(46)
Non-GAAP Cash flow from operations	3,329	5,535	5,222

Disclosure of Oil and Gas Information

Unless otherwise stated, reserve estimates in this document, have been prepared by internal qualified reserves evaluators in accordance with the Canadian Oil and Gas Evaluation Handbook, have an effective date of December 31, 2015 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 consistent with other oil and gas companies' disclosures, and is calculated on an energy equivalence basis applicable at the burner tip whereby one barrel of crude oil is equivalent to six thousand cubic feet of natural gas. The term boe is used to express the sum of the total company products in one unit that can be used for comparisons. Readers are cautioned that the term boe may be misleading, particularly if used in isolation. This measure is used for consistency with other oil and gas companies but does not represent value equivalency at the wellhead.

The Company uses the term reserve replacement ratio, which is consistent with other oil and gas companies' disclosures. 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. The reserve replacement ratio measures the amount of reserves added to a company's reserve base during a given period relative to the amount of oil and gas produced during that same period. A company's reserve replacement ratio must be at least 100% for the company to maintain its reserves. The reserve replacement ratio only measures the amount of reserves added to a company's reserve base during a given period.

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 may use certain terms in that disclosure 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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