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International Accounting Standards Board
30 Cannon Street
London, United Kingdom
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Dear Sir/Madam:

We are responding to the IASB Exposure Draft, Additional Exemptions for First-Time Adopters (Proposed Amendments to IFRS 1). We thank the Board for the opportunity to comment on the Exposure Draft on what we feel is an important set of amendments to ease the transition to IFRS.

Husky Energy Inc. is a publicly traded Canadian company and one of Canada's largest oil and gas companies. Husky is fully integrated and is segmented into Upstream, Midstream and Downstream business segments. Husky has operations in Canada and internationally.

Our responses to the questions in the Exposure Draft are as follows.

Question 1

Our company strongly supports the proposed deemed cost option for full cost accounting companies. Our reasons for supporting this exemption are outlined below.

To comply with IFRS as it is currently written would require companies following full cost accounting to extract information that may be impossible to obtain and the amount of estimates required would result in numbers that would not provide meaningful information to readers of financial statements. The full cost methodology allowed for costs to be accumulated in pools on a country-by-country basis and there are no tax or statutory requirements that require information to be tracked at a more detailed level. As a result, historical accounting records are not maintained at the detailed level required under IFRS and given the volume of transactions in the Canadian oil and gas industry, extracting this information may be impossible. All development, exploration and seismic costs are added on a country-by-country basis to each full cost pool and as such many full cost companies account for fixed assets in groupings. Subsequent acquisition costs are also added to the pools in the same manner. Details of these costs and additions are in many cases not maintained as separate assets. For example, Husky undertook a $2 billion acquisition in 2000 and $3.5 billion of assets were added. The information related to the transaction may no longer be available in order to break down the full cost assets and allocation of the purchase price to assets would require significant estimates and arbitrary allocations. The activities and associated difficulties in recreating the level of detail needed include:

- Allocation of costs between items of property, plant and equipment ("PP&E") and intangible assets when such a determination was never initially made. Records for some of these transactions that would be required to determine the appropriate split would likely no longer exist.

- Defining and applying cash generating units ("CGU's") for impairment testing, recognizing that CGU's may change over time. The assessment of what a CGU is at a particular time requires estimates and assumptions of facts and circumstances that are difficult or impossible to recreate.
- Performing impairment tests of amounts that would have been moved from the exploration and evaluation ("E&E") phase to the PP&E accounts. The volume of transactions requiring assessment would be significant. Additionally, impairment testing could require estimates and assumptions about facts and circumstances that are difficult or impossible to recreate.
- Computing and recording gains and losses on all disposition transactions (under full cost accounting, for transactions that didn't change the depletion rate by greater than 20% no gain or loss was calculated and the proceeds were credited to the full cost pool). None of Husky's transactions in Canada have ever generated a change in the Canadian full cost pool of greater than 20%. There have been a considerable number of transactions and all would have to be recreated in order to determine any potential gains or losses. The data related to these transactions would likely no longer exist.
- Recalculating depletion and depreciation on all assets that are in the full cost pools. The current depletion calculation is done on a country basis and IFRS would require the depletion to be done at a much lower level. Since depletion is calculated on a unit of production basis, production and reserve amounts would also have to be recreated for each asset.

The significant number of transactions and level of activity that occurs in the Canadian oil and gas industry is also unique with a large number of wells being drilled in low production areas. The nature of the production and the number of wells drilled has led to a high number of transactions for consolidation purposes, further complicating the ability to retroactively restate.

Along with the extremely high costs associated with restating the historical results, there are limited user benefits. Users of the financial statements rely on reserve information to value an oil and gas company when making investment decisions. As a result, changing the cost basis of the fixed assets number in the financial statements provides limited benefit to users.

While IFRS currently provides a fair value as deemed cost exemption, we believe that the use of that option is not a viable option for the oil and gas industry in Canada, for the following reasons:

- Practical limitations of having all full cost oil and gas companies in Canada attempt to use the limited number of existing valuators to determine fair value of all of the oil and gas assets owned by Canadian full cost companies as at the date of transition to IFRS.

- Lack of authoritative guidance on determining fair value for oil and gas assets.

- Due to the volatile nature of commodity prices, this would likely lead to an increased number of impairments and impairment reversals.

For the reasons above, we believe the exemption provides a reasonable approach to simplify a conversion step that would be impractical and of extremely limited benefit to users of financial statements.

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Question 2

We believe that the proposed disclosure requirements are reasonable in light of the choice that is available with respect to allocating the deemed cost (reserve values or volumes). The disclosure will allow users of the financial statements to understand how the transition to IFRS from Canadian GAAP has been accomplished.

Question 4

Canadian GAAP (EIC 150) and IFRS (IFRIC 4) are harmonized in the criteria for determining if an arrangement contains a lease. We support adoption relief to first time adopters who applied the identical criteria in their previous basis of GAAP because it recognizes the identical principles being applied and attempts to ease the burden of adoption. However, EIC 150 required prospective treatment rather than application of the guidance to any arrangements that existed on the effective date, which is the requirement under IFRIC 4. If the intention was to provide relief to first time adopters based on the identical principles of application regardless of adoption methods then the wording in the amendment to IFRS 1 should be modified to allow first time adopters to apply the previous basis of GAAP; including adoption methodologies.

Sincerely,

Angela Butler, CA
Controller