

News

Expanding the Horizon

Husky Energy Inc.



August 16, 2004

For immediate release

Husky Energy Signs Exploration Agreement for the South China Sea

Calgary, Alberta – Husky Energy Inc. is pleased to announce that it has signed a petroleum contract in Beijing with the China National Offshore Oil Corporation (CNOOC) for the 29/26 exploration block in the South China Sea on August 16th, 2004. The exploration block is located 300 kilometers southeast of Hong Kong and covers approximately 3,900 square kilometers. It is the seventh petroleum contract signed between Husky and CNOOC.

Block 29/26, which has good exploration potential, is located in the deep water region of the South China Sea and has an average water depth of 1,300 meters. More than 4,500 kilometers of high quality, 2-D seismic has been shot on the block by CNOOC between 1986 and 2004.

Under terms of the petroleum contract, Husky will drill an exploration well on block 29/26 in 2005 subject to rig availability. The Company also has the right to drill two additional exploration wells before 2011. Husky will fund 100 per cent of the exploration costs, while CNOOC retains the right to back into the development project with a 51 percent interest.

“Our strategy is to pursue new opportunities for growth prospects within the Pearl River Mouth Basin of the South China Sea in China,” said Mr. John C.S. Lau, President & Chief Executive Officer of Husky Energy Inc. “The Wenchang project has provided Husky with cash flow that can be re-invested and joint-venture experience to pursue additional opportunities in the region.”

Husky now has approximately 25,000 square kilometers of exploration acreage in the South and the East China Seas. The Company also has a 40 percent working interest, in partnership with CNOOC, in the Wenchang 13-1 and 13-2 offshore oilfield project. Three recent successful development wells have been added at Wenchang. Husky’s share of production from the project in 2004 is projected to average 18,000 to 20,000 barrels per day. Operating costs at Wenchang for the first six months of 2004 were \$2.10 per barrel.

Depending upon rig availability, Husky plans to drill two shallow water wells on its 23/15 and 23/20 blocks in the Beibu Gulf within the next 12 to 24 months. The blocks are located 450 kilometers southwest of Hong Kong, near Hainan Island, and approximately 1,000 square kilometers of 3-D seismic discovery has been completed.

Certain information in this release may contain forward-looking statements. Actual future results may differ materially. Husky’s annual report to shareholders and other documents filed with securities regulatory authorities describe the risks, uncertainties and other factors, such as changes in business plans, drilling results, the uncertainty of estimates and projections of future production, that could influence actual results. Husky assumes no obligation to update forward-looking statements should circumstances or management’s estimates or opinions change.

-End-

For further information, please contact:

Donald Campbell
 Manager, Investor Relations & Corporate Communications
 Husky Energy Inc.
 (403) 298-6153

Colin Luciuk
 Manager, Investor Relations
 Husky Energy Inc.
 (403) 750-4938

